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THIS MONTH'S COVER

Painted and engraved by Robert Havell, the aquatint reproduced on the front cover is a view of Hartford in 1840 from the East bank of the Connecticut River. The prominent building with cupola, in the right center, is the old State Capitol, an historic landmark still standing but now in disuse. . . . Established as a Dutch trading post in 1633, Hartford was settled three years later by Thomas Hooker and other refugees from Massachusetts. In 1639 the Puritan settlers drew up the first written constitution which created a government by the people, and for this reason Hartford has been called "the birthplace of American democracy." Midway between Boston and New York, the town grew and prospered, becoming in 1662 the provincial capital. In Revolutionary annals it is known as the meeting-place of Washington and Rochambeau before their campaign against Yorktown. A generation later delegates from all the New England States met in convention there to protest against the War of 1812. . . . This print from the Phelps Stokes collection appears through the courtesy of the New York Public Library. . . . The photograph above shows Hartford today, the nation's insurance center and an important city in the metal industries, manufacturing firearms, tools, hardware, typewriters, and aeroplanes. It is the market for a trading area of almost 500,000 persons.

DUN'S REVIEW FOR DECEMBER 1937



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¶ For those interested in the prints of century-old cities appearing on the covers of DUN'S REVIEW, the publishers have arranged to provide mounted copies suitable for framing. Not all back numbers are available. Orders for copies of prints on current issues should be placed promptly and accompanied by check or money order. For prints set off by an appropriate

French mat 13½ x 14¼ inches ready for framing the charge is \$1. For prints mounted and framed, with glass, the charge is \$3. If in New York City, add 2 per cent sales tax. . . . ¶ Information about subscription rates will be found on page 47. . . . ¶ Second cover photograph by Fairchild Aerial Surveys, Inc. Frontispiece photograph by Ewing Galloway.



“ADJUSTED FOR SEASONAL VARIATION”



GALLOWAY

THE GULF BETWEEN CAPITAL AND LABOR MUST NOT WIDEN

Excerpts from an Address by
WILLIAM S. KNUDSEN
President, General Motors Corporation

THE opportunity for the individual worker to progress in any business organization through ability and merit must be protected, in order that progress may continue and the American standard of living be kept continuously in the vanguard of the world. . . .

The General Motors Corporation had for years maintained what it felt was a liberal policy in labor relations, and barring spontaneous departmental flare-ups when new models were started in plants operating on piece work, the corporation for many years was free from strikes. . . .

The factories were all practically new, as factories go. The assembly lines were merely beasts of burden designed to save effort.

The displacement of labor due to technological advancement was described as horrifying, despite the fact

Because of the important part played by Mr. Knudsen in the settlement of labor relations questions this year, his recent address before the Associated Industries of Massachusetts is significant in any consideration of such problems. This is one of a series of articles on subjects of unusual importance, presenting the opinions of men whose diverse backgrounds have created decided, and often conflicting, convictions.

that the man-hours per motor car have shown no change whatever since 1929, due to the improvement in car design, and whatever change has been necessary through the redistribution of price levels in the industry. In

other words, comparably priced cars have not been reduced in man-hours per vehicle.

The industry was somewhat flabbergasted over the bill of complaint, but set to work defending itself, not very efficiently to be sure, but with a definite feeling that it was not as bad as it was painted. Steps were taken toward reduction of the shutdown period for model changes, and the shops were given a thorough going-over to eliminate all possible conditions that might be open to criticism.

The one-sided Wagner Labor Relations Board, which antedated the one-sided Labor Relations Act,

[5]

confused the issue, so finally the President took matters into his own hands and appointed the Automobile Labor Board, headed by Dr. Leo Wolman, to try to bring order out of chaos through the medium of proportional representation.

The manufacturers tried to co-operate. They knew the Administration wanted the workers to have representation, but here was one the unions could buck to a finish, and they did. Here was an instance in which the men, feeling that they had representation officially sanctioned, might not want to join the union. This would never do. The board gave up, although I personally believe they made an honest effort, and we were right back where we started from. The organization campaign got hot again, but suddenly the split came between the more conservative element and the direct action faction, and we got real action.

I think I ought to say something here about the fundamentals underlying the union movement. If a man has any kind of skill he is proud of it, openly or silently. The unskilled man, if you get below his skin, will find something which he can do or think of something he can do better than his fellow-worker. The old-fashioned trained mechanic in some cases looks askance upon the special machine as a labor destroyer, but nothing can be further from the fact. If it were not for the old-time trained mechanic we would not have machines, and to maintain that any machine operator can learn a trade in three weeks, or three minutes, or three months, is purely imagination.

Men will band together on the basis of craft, and with some sense, the idea being hundreds of years old. To hold that machine operators cannot be organized on the same basis is due to ignorance of the job itself. From the standpoint of organizing it is expedient and lucrative, but to say that a tool-maker or first-class grinder should concern himself with the plight of his



CORPORATION EXECUTIVE

Born in Copenhagen, William S. Knudsen came to the United States at the age of 20. Here he worked first for the Gas Engine and Power Company, next for the Erie Railroad, and then joined the John R. Keim Mills, in Buffalo, New York.

In 1911, when Mr. Knudsen was factory manager of Keim Mills, that organization was merged with the Ford Motor Company, and the road to a series of important posts in the automobile industry opened before him. In his ten years with Ford he was successively in charge of assembly plants, the Detroit plant, and wartime shipbuilding activities. In 1919 he installed three assembly plants in Europe.

Three years later Mr. Knudsen joined the General Motors Corporation in an advisory capacity, shortly afterward becoming vice-president of Chevrolet. For ten years he served as president and general manager of the Chevrolet Motor Division, and for four more, from 1933 to 1937, as executive vice-president of General Motors he was in charge of all car, truck, body, and accessory operations. In May of this year he was elected president of that corporation.

union brother who is pushing a truck is taking a pretty general viewpoint. This is one of the dangers of the industrial union as far as strikes are concerned. A strike binds everybody in the shop to take up the dispute of somebody they are not at all interested in, with the result that the union officials have to hastily dig up enough grievances for everybody in order to hold the strike together, regardless of whether conditions in nine-tenths of the plants are satisfactory.

On the other hand, it also is dangerous to the union because the worker is generally hard-headed enough to size up the dispute from his own standpoint and objects to losing time if he gains nothing thereby. Also the union officials have difficulty preventing some young hot-head from shutting down a plant employing thousands of people because a few of his fellows have an argument.

We have had instances in which the grievances of a dozen men have caused 5,000 men to lose three or four days' pay, and most of the peace negotiations consisted of the union's effort to prevent the perpetrators from being discharged. The economic weapon which in this case is placed in the hands of an individual wholly incapable of even figuring the extent of its magnitude or the probable result of a shutdown makes, to my mind, the strongest argument for discipline and responsibility of unions, even if it has to be done by law.

The direct action which followed the split in the union ranks late in 1936 and in the early part of 1937 was unnecessary and expensive. The organization which sponsored it had a previous strong and nasty strike record. It was unwilling to await the confirmation of the Wagner Act by the Supreme Court, and took matters into its own hands through fear that the Act might be proclaimed unconstitutional. We had the spectacle of Government officials being fearful of taking a stand on the sit-down feature of the strike,

and, with that, a general breakdown of law for a period of six months.

The whole effort was ill-planned and would have been abortive or have caused bloody riots but for the fact that the Government finally stepped in and practically ordered settlements on a temporary basis of recognition for members, and the collective bargaining clause was saved for the union. I do not want ever to be put in a position of criticizing our Administration, but I do think that all this hue and cry about collective bargaining could have been considerably less expensive if some ground rules had been set up. As it was, the early stages of the conflict resembled very much a ball game without an umpire, and with everybody in the grandstands hollering advice.

I think that the Wagner Act in force, everything depends upon whether it will smooth out or lessen industrial stoppages. If it won't, it will probably fall of its own weight, or it will be necessary to strengthen it so that it will function in an orderly manner. To say that it is the Magna Charta of labor is all right, but it must prove its value in giving men uninterrupted work with consequent better earnings, or it will be a Magna Charta no longer.

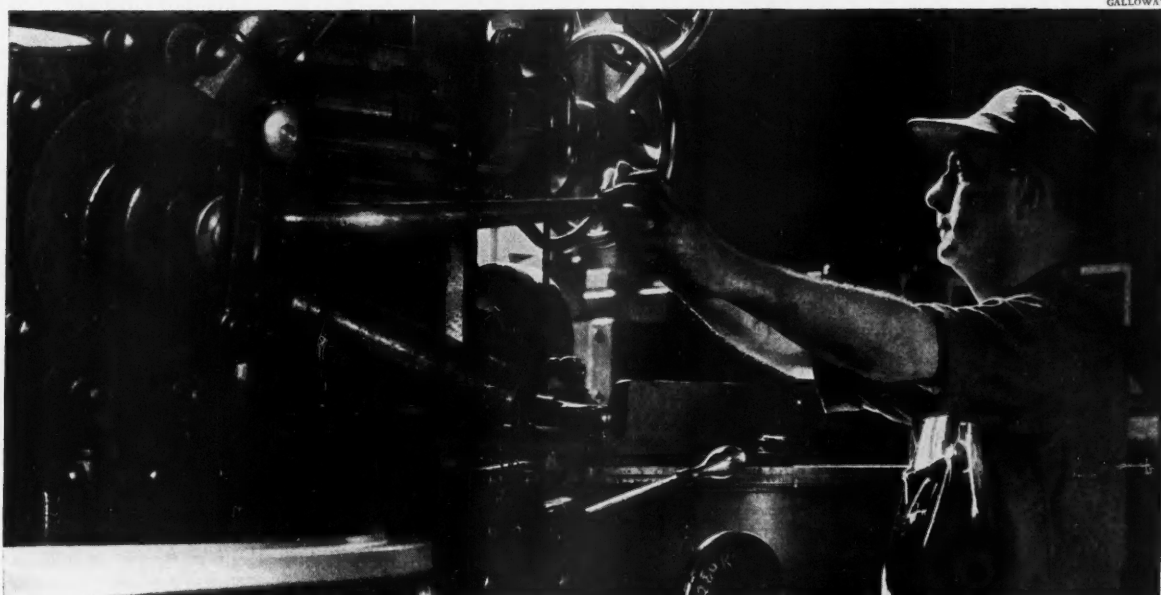
The manufacturers in the automobile industry will obey the law. It is a pity that politics seems to demand that men shall be accused publicly before they are brought before the law. Calling each other names will fix nothing. The motives for muck-raking are always questionable. Collective bargaining will even-

tually become orderly, but in order to have intelligent collective bargaining both sides must know the facts and be willing to present the facts. When they are known there is seldom much trouble about a settlement.

American industry must go forward, fight or no fight. Let us hope we can go forward peacefully and in an orderly manner without class cleavage entering into the question. Our standard of living has been obtained by narrowing the gulf between capital and labor. To widen it will unquestionably tend to lower this standard of living instead of raising it. Taxation of capital is just reaching the point where it is but a few steps ahead of confiscation, and we all know what that means. I sincerely trust that ways and means will be found to arrest this class movement before it becomes so strong that nothing can stop it.

I think there is a place in the picture for both capital and labor, and that place can best be determined by an examination into the economics of both sides. I think that labor's fair share in the proceeds of business should be determined by what the pay envelope buys, and that the relationship of costs to prices should be examined before a false money standard per day or per annum is proposed.

You know we can not grow corn by killing the farmer. Management has to keep the wheels of industry going. The profit motive can not be destroyed without destroying private capital, which means destroying private industry.



[7]



GALLOWAY

Even though they fear gains for private brands, liquor and drug makers often have had to yield to retail pressure.

THREE MONTHS *of* NATIONAL RESALE PRICE MAINTENANCE

WHAT IS HAPPENING? WHAT BUSINESSES ARE AFFECTED?

REINHOLD WOLFF

Editor of Trade Regulation Review

THE Miller-Tydings Resale Price Maintenance Act, during the first quarter-year of its operation, had the distinct effect of stimulating retailers' co-operation towards stabilized prices. But unlike the Robinson-Patman Act, its predecessor in Federal pricing legislation, the Tydings Act has not stirred manufacturers to immediate and striking changes in their methods of pricing and distribution. Cautious experimentation rather than quick action defines their course now and will probably continue to do so.

Various reasons account for the difference in tempo. The business life of the nation had to adapt itself quickly to the requirements of the Robinson-Patman Act because this law was prohibitive in character. It forbade certain methods of pricing such as the granting of discriminatory rebates and advertising allowances to dealers. Manu-

facturers who failed to comply with the new law ran the risk of legal prosecution. The Miller-Tydings Resale Price Maintenance Act is of a different legal type. Its provisions are permissive in character, and no manufacturer of identified items is legally obliged to prescribe minimum prices to his distributors.

In addition to these legal differences, a series of economic considerations explains the relatively limited scope of practical resale price operation as contrasted with the changes which the Robinson-Patman Act dictated. The prohibitions against price discrimination affected almost every branch of the retail field and were particularly important to the grocery trade, which alone accounts for about one-quarter of all retail distribution. Resale price maintenance has a much smaller field of application. It is restricted of course

to the distribution of branded or otherwise identified products and vast areas of the big field of distribution are, for one reason or another, entirely outside its operation. This does not mean that the new law is a negligible factor in American business. From all the evidence it appears that direct effects on retail pricing methods will develop, and their growth may result in fundamental changes in our system of distribution.

When the Miller-Tydings Resale Price Maintenance Act was passed in August, 1937, 42 States had already enacted so-called fair trade acts which allow producers of branded items to prescribe minimum prices for their wholesale and retail distributors. Manufacturers of standard brands had developed systems of price maintenance in one and another of the fair trade States. The enactment of the Federal law opened an opportunity to put national brands under the shelter of price protection in all of the 42 States. Now that three months have elapsed, we are in a position to see a trend of local schemes developing into national systems from coast to coast.

Active Areas

The resale price maintenance movement continues to be strongest in the drug, liquor, and book trades, where manufacturers successfully operated under State fair trade laws. In New York, 171 manufacturers of drugs, cosmetics, and toilet articles have established minimum resale prices under the State law or the Federal act. The protected brands comprise from about 60 to 70 per cent of the total sales of this type of item in independent drug stores. Forty-nine manufacturers are reported to plan national operation of the scheme, but only a score have already made their intention effective. In the liquor trade, about 80 per cent of all national brands have been price-fixed.

The list comprises most of the nationally known domestic and imported standard liquor brands. The book trade lists 45 publishers as setting minimum prices for booksellers in New York. Since the passage of the Miller-Tydings bill, publishers have expanded the scope of price maintenance to the States of California, Illinois, Maryland, New Jersey, Ohio, and Pennsylvania.

The momentum which resale price contracts have gained through the Federal law is evidenced by the growth of the new policy in the stationery, tobacco, and electrical appliance fields. There are now about 85 manufacturers of stationery articles and office supplies who are operating under the fair trade acts of various States. Twenty-three cigar manufacturers, four cigarette

sions in the form of trade-in allowances. The same lack of enforceability has forestalled the price maintenance movement in the refrigerator trade. It is reported, however, that the leading manufacturers will try to enforce the plan with respect to their new Spring lines. Other electrical appliances and specialties like washing machines, electric toasters, and electric toys have been placed under contractual price restrictions here and there, and the broad possibilities which the plan offers for the future of electrical merchandising is witnessed by quick expansion to new lines.

In the rubber tire industry, a national organization of independent retailers is campaigning for stabilization of resale prices under the Miller-Tydings

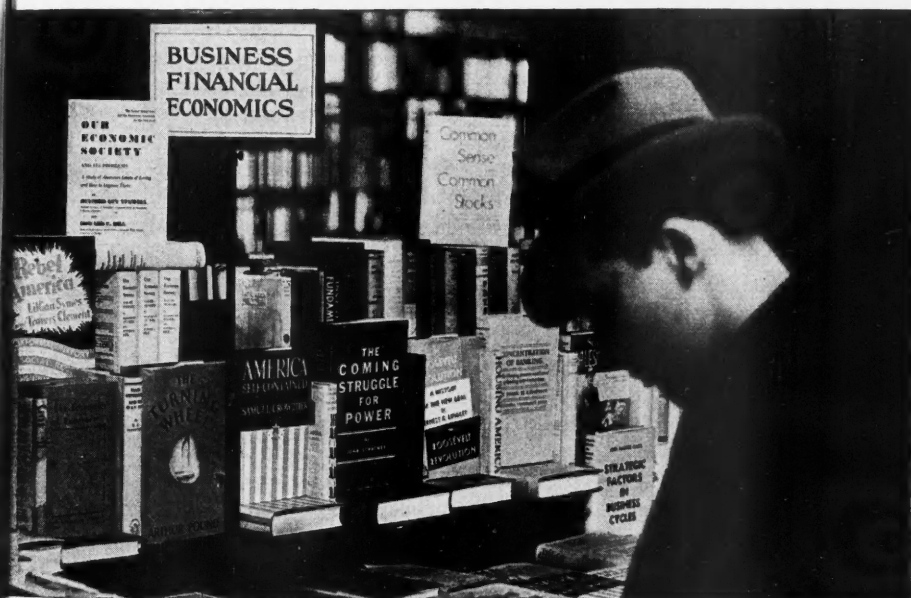
operating under the California-Illinois and New York law. But a majority of brand producers in this field has preferred to stick to the old system of merely suggested resale prices and is expected to shift to the new method of contracts only after careful experimentation.

Very little activity with regard to resale price maintenance is observed in the food field. Only in California have grocery manufacturers and wholesalers availed themselves of the California Fair Trade Act to bring certain food products, such as beer, soft drinks, butter, eggs, cheese, oleomargarine, coffee, mayonnaise, and shortenings under the shelter of price protection. Two firms of minor importance are testing the scheme in the Middle West. The dry goods field has remained entirely outside the scope of fair trade acts.

The three-month record of resale price maintenance in operation leaves the observer somewhat puzzled. He finds that in certain fields resale price maintenance is spreading like wildfire from coast to coast; that in others the movement is slowly gaining momentum; and that in some trades the plan has not even been tried.

Why, the observer will ask, are manufacturers in one field more willingly adopting the plan, and what are the reasons which determine their resistance to the pressure of retailers' groups in other lines of business? It appears from the evidence gathered so far that various conflicting factors

Retailers' mark-ups are less secure in radio than in books because the former line poses the problem of the trade-in.



GENDREAU PHOTOS

makers, nine pipe, and two tobacco producers are trying to stabilize the resale prices of their brands on a local or national basis. It has been noted, however, that so far none of the "Big Four" cigarette manufacturers has ventured into the new field.

Radios early became an object of uniform retail price contracts, though the efficiency of the scheme is seriously handicapped by indirect price conces-

Act. But only one manufacturer has given the plan a practical test by operating under the California State law. Similar efforts of the independents in the jewelry business have likewise failed to produce immediate and striking results. A manufacturer of watches has elaborated a system of resale price contracts for his standard brand, covering all States with fair trade acts. In addition, two silverware producers are



make it extremely difficult for national distributors to act decidedly one way or the other.

One such factor is the type of merchandise in question. Food products, for instance, are not suited to price protection because of the relatively small importance of the national brand in this field. Any nationally advertised food product can be replaced by an unbranded article or by a private brand item. In addition, prices of food are subject to frequent changes. The rigidity of prices which is an important feature of price maintenance hinders its application in almost every line of the grocery and meat packing industry. Similar considerations exclude resale price maintenance from the dry goods field. Manufacturers of standard dry goods have found it unwise to stimulate the competition of privately branded articles by freezing the retailers' mark-ups of their nationally advertised items.

Playing Safe

The situation is somewhat different in lines where resale price maintenance was already being practised before the enactment of fair trade laws. There the problem was only that of shifting from the previously used methods of price maintenance to the new scheme of formal price contracts. It came as a surprise to many observers that relatively few manufacturers took advantage of the new laws to make their price policy more efficient by conforming to the legal requirements of fair trade acts. For an explanation of this hesitancy, manufacturers point to the fact that the new method has been very slightly tested so far, and that the plan, on account of its compulsory character, necessarily evokes antagonism between conflicting dealer groups. Thus, to avoid alienation of major portions of business, national distributors play safe by giving the scheme a trial in one State or by restricting their experimentation to one product.

As a matter of fact, experience with the operation of the scheme has shown

that these apprehensions of producers are justified. The private brand holds a key position in the resale price situation, particularly in lines where chains and department stores are strong. The dealer-owned brand is likely to be pushed by these groups when nationally advertised brands are fixed at higher levels. Though it has not yet been proved that the private brand sales have noticeably increased in price-restricted lines, the private brand menace remains in the background and puts the brakes on the resale price movement.

Retail Pressure

On the other hand there are distinct factors which may compel the manufacturer to adopt the plan. The strongest impulse comes from organizations of independent retailers. These groups were the chief sponsors of fair trade acts. The victory which they won with the passage of the Miller-Tydings Act encouraged them to intensify their drive for application of price contracts. Producers have had to yield to the pressure to comply wherever the independents have been strong enough to boycott their products by either direct or indirect methods.

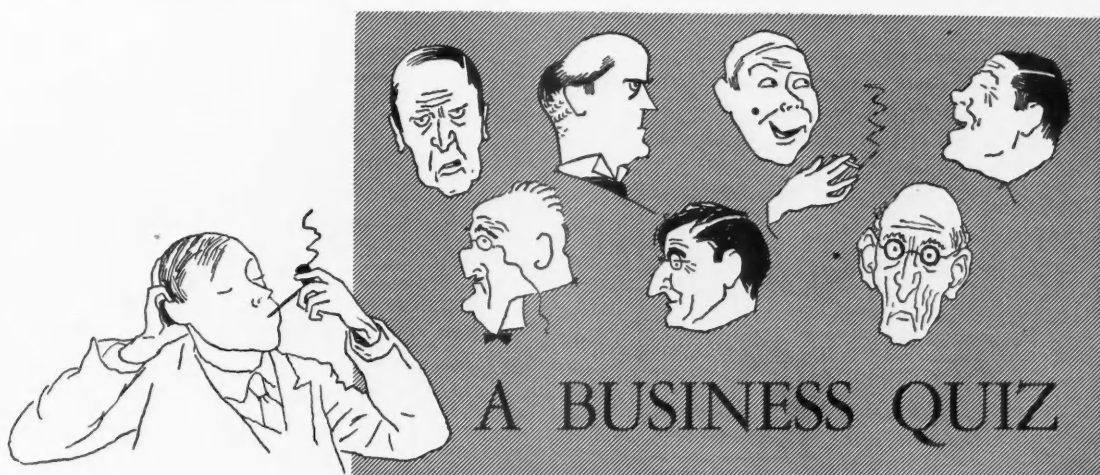
This is exactly the situation in the drug, liquor, and book industries. But even here manufacturers of nationally advertised products are feeling the counteraction of the private brand owners. Although chains in the drug and cosmetic field are sympathizing with price stabilization under the Act, the department stores and mail-order houses are effervescingly campaigning for unrestrained prices, and their promotion of private brands is an outstanding feature in the recent retail developments. Thus, the pricing policy of national producers finds itself blocked between two conflicting currents, and there are some instances where the manufacturer has entirely lost control over the dealer's margins. Other manufacturers have tried to overcome the antagonism of their retail customers by adopting a more flex-

ible price policy. About 50 per cent of price-maintaining drug producers in New York State operate under a double price list. They keep their list prices at merely suggested levels, and prescribe a minimum fairly below the suggested margin, but just about 15 per cent above the net invoice price.

Additional producers have tried to solve their pricing dilemma by associating their interests directly with the independents. Thus, since this group still holds the lion's share in retail distribution of liquors, drugs, and cosmetics, the national advertisers expect to make their losses from private brand competition good by increased co-operation of the independents. The recent upswing in advertising to dealers in preference to consumer promotion is partly due to this wooing by national advertisers for the goodwill of their independent retail customers. In addition to advertising, all kinds of promotional efforts are used to encourage the co-operation of independents. An increase of services and different types of premiums, free deals, and even a revival of the controversial advertising allowances is reported as a result of price maintenance.

Consumer's Role

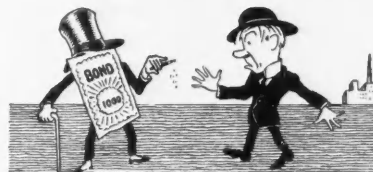
Experience with the new scheme has been too short to permit the scrutiny of the general effects of resale price maintenance on consumers and on national business. No open hostility on the part of the public has so far been noticed. This may be chiefly attributed to the fact that manufacturers have moved cautiously and that the chieftains of retailer groups advise their members to moderate their pressure for extravagant mark-ups. Besides, the repeal of the Federal law looms in the background. Manufacturers as well as retailers are wholly aware of the fact that the public eye watches the progress of the movement and that resale price maintenance can hold its stand in American business only if, and as long as, it does not appear to operate against the interest of the consumer.



YOU MAY be the greatest expert in the world on your own business, but how much do you know about the other fellow's business? Can you read a ticker tape, draw up a lawful price schedule, call the Chairman of the Federal Trade Commission by name?

Don't take this test if you are very proud of yourself as an authority on business in general, because you might be disillusioned! We tried it on an engineer and he scored only 58. We tried it on a lawyer and he scored only 71. Incidentally, scoring is on the basis of 3 points for every correct reply, plus a bonus of 10 points for completion. The answers are on page 46. If your score is over 75, you're exceptional. If you score 100, write us about it, with proper witnesses, and we will send you a Certificate of Distinction. Otherwise—well, business is mostly common sense and good judgment, anyway.

1. On the ticker, X stands for
 - ☐ A. No activity
 - ☐ B. Odd lot transaction
 - ☐ C. U. S. Steel Corporation
 - ☐ D. Exchange Buffet
2. In retail trade, p.m. stands for
 - ☒ A. Push money
 - ☐ B. Perfect model
 - ☐ C. Patent monopoly
 - ☐ D. Perishable merchandise
3. Arbitrage is a term used in
 - ☐ A. Labor disputes
 - ☒ B. Commercial disputes
 - ☐ C. Foreign exchange
 - ☐ D. Smelting ore
4. In correcting proof, the notation of "stet" means
 - ☐ A. Disregard the change made
 - ☐ B. Use italics
 - ☐ C. Standard etymology
 - ☒ D. Set type extra thin
5. A banker's acceptance is
 - ☒ A. Banker-guaranteed commercial paper
 - ☐ B. An agreement to extend a line of credit by a commercial bank
 - ☐ C. Checks issued to foreign travellers
 - ☐ D. All commercial paper eligible for Federal Reserve rediscount
6. An income bond is one
 - ☐ A. Whose interest payment is established exactly
 - ☒ B. Whose interest payment depends upon the income of the corporation
 - ☐ C. Whose interest is tax exempt
 - ☐ D. Between an operating company and a holding company



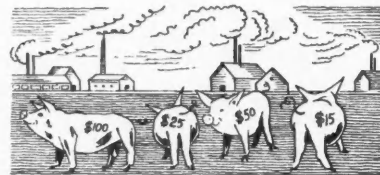
7. The normal corporation income tax is
- ☐ A. Not in effect since the Undistributed Profits Tax was enacted
 - ☐ B. 13½ per cent on all net corporate income
 - ☐ C. 15 per cent on all net corporate income
 - ☐ D. Progressive in rates according to amount of net income



8. Winter wheat in Minnesota and the Dakotas is harvested in the
- ☐ A. Spring
 - ☐ B. Summer
 - ☐ C. Autumn
 - ☐ D. Winter
9. The average mark-up in grocery stores is about
- ☐ A. 10 per cent
 - ☐ B. 20 per cent
 - ☐ C. 30 per cent
 - ☐ D. 40 per cent
10. Except in Wyoming, the new laws for resale price maintenance are to be enforced by
- ☐ A. Federal Trade Commission
 - ☐ B. United States District Attorneys
 - ☐ C. State Attorney-Generals
 - ☐ D. Private suit
11. The Robinson-Patman Act prohibits
- ☐ A. Advertising allowances
 - ☐ B. Quantity discounts
 - ☐ C. Brokerage paid for services not rendered
 - ☐ D. Price differences
12. The name "Opel" refers to a
- ☐ A. Bolivian tin monopoly
 - ☐ B. Russian foreign trade agency
 - ☐ C. German automobile
 - ☐ D. Airplane propeller made of alloy

13. The Federal Reserve rediscount rate is that at which Federal Reserve Banks will
- ☐ A. Make direct loans to industry
 - ☐ B. Purchase eligible paper from member banks
 - ☐ C. Advance funds to the Government
 - ☐ D. Advise commercial banks to establish in their loans
14. A person with a net income of \$1,000,000 (none from tax-exempt securities) pays a Federal income tax of about
- ☐ A. \$400,000
 - ☐ B. \$500,000
 - ☐ C. \$600,000
 - ☐ D. \$700,000

15. The chairman of the Federal Trade Commission is
- ☐ A. Ayres
 - ☐ B. March
 - ☐ C. McNinch
 - ☐ D. Patman
16. In accounting practice, under the heading of liabilities, appears
- ☐ A. Cash on hand
 - ☐ B. Common stock outstanding
 - ☐ C. Notes and accounts receivable
 - ☐ D. Patents



17. The basic price of pig iron is in the neighborhood of
- ☐ A. \$15 per ton
 - ☐ B. \$25 per ton
 - ☐ C. \$50 per ton
 - ☐ D. \$100 per ton
18. The initials SEC stand for
- ☐ A. Stock Exchange Commission
 - ☐ B. Securities and Exchange Commission
 - ☐ C. Security Exchange Commission
 - ☐ D. Stocks, Exchanges, and Commodities

19. The old-age security contributions for 1938, based on payrolls are

☐ A. 1 per cent employer, 1 per cent employee
☐ B. 2 per cent employer, 2 per cent employee
☐ C. 3 per cent employer, 3 per cent employee
☐ D. 2 per cent employer, 1 per cent employee

20. The Atlas Corporation is primarily engaged in

☐ A. Making cement
☐ B. Making explosives
☐ C. Investing in the securities of other companies
☐ D. Publishing maps

21. The term "denier" is used in the market for

☐ A. Cotton
☐ B. Silk
☐ C. False teeth
☐ D. Hides

22. A "basing point" refers to

☐ A. The standard grade of a commodity
☐ B. The wage rate for unskilled labor
☐ C. A city used as a price base
☐ D. A sales office



23. The magic letters 77-B suggest

☐ A. Income taxes
☐ B. Reorganization
☐ C. The Securities Act
☐ D. Shoes

24. The Jones-Laughlin decision related to the constitutionality of

☐ A. The AAA
☐ B. The Securities Act
☐ C. The Wagner Act
☐ D. The Public Works program

25. The CIO and AF of L differ primarily on

☐ A. Insistence on the closed shop
☐ B. Emphasis on industrial rather than craft unionism
☐ C. Interstate versus intrastate units
☐ D. Using arbitration rather than strikes



26. The initials CIF mean

☐ A. Cost, insurance, and freight
☐ B. Convenient installments furnished
☐ C. Collection and interest free
☐ D. Cash in full

27. The term, "closed shop," refers to an establishment where

☐ A. A strike or lockout has made it inactive
☐ B. Extra rates are paid all workers for overtime
☐ C. Only union members are employed
☐ D. It has reached capacity in the number employed

28. The number of corporations in the United States is about

☐ A. 100,000
☐ B. 250,000
☐ C. 500,000
☐ D. 1,000,000

29. In the stock market zoo, a bear

☐ A. Investigates for the SEC
☐ B. Borrows cash to speculate
☐ C. Borrows stock to speculate
☐ D. Specializes in a particular stock

30. Semolina is

☐ A. A lemon-growing region
☐ B. A plant from which vanilla is extracted
☐ C. Flour with which macaroni is made
☐ D. The head of a large chain of banks

BUSINESS FAILURES AND BUSINESS ACTIVITY SINCE 1887

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BUSINESS failures, like the dubbed shots at golf, can be traced to a multiplicity of causes. In each case personal inability, lack of training, or incompetence is revealed. Dubbed shots are sometimes caused by conditions over which the individual golfer has no control. The poor fellow may have a talkative caddy, an opponent who appears to be as limited in arithmetic as in golfing ability, or a partner who insists on giving free advice on each shot. Under these conditions dubbed shots are not the individual's fault, especially since the law prohibits him from carrying firearms. In business, likewise, failures are many times the results of conditions over which the individual business man has no control. He may carry on the business as efficiently as ever, but for external reasons it slides downhill into the inevitable catastrophe. The most important of the uncontrollable factors

for an individual business man is the general state of business activity.

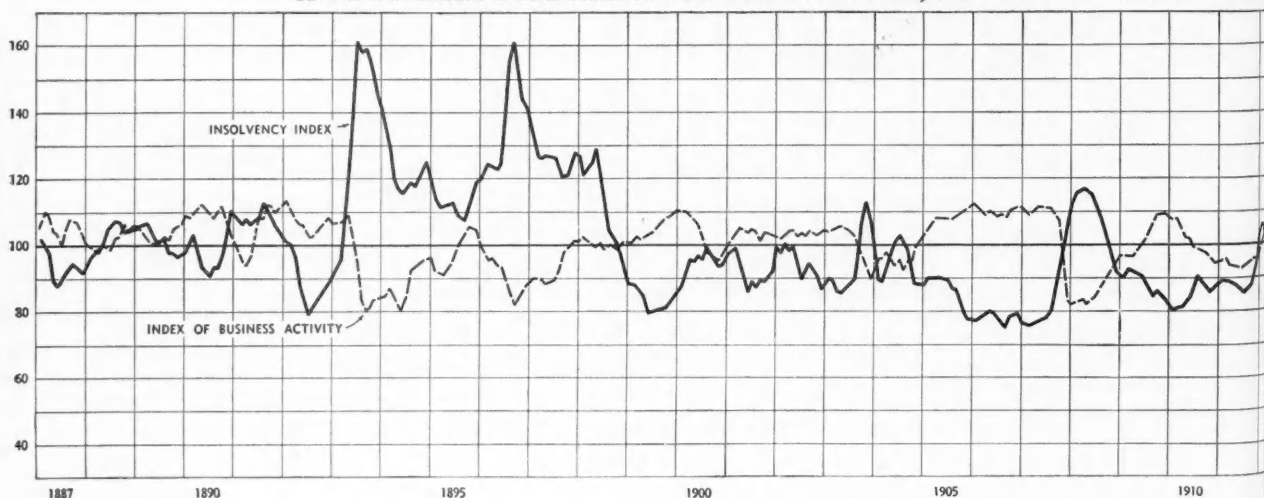
Apparently, many enterprises are out on a limb where the smallest breeze can bring them down. As soon as the cold winds of poor business start to blow, enterprises fall, and their rate of falling is accelerated faster than the intensity of the storm. Once the breeze dies down, failures stop falling as rapidly, and the normal process of ripening, decaying, and falling is resumed. Shortly, the places on the limbs are taken up by others, and the business scene is ready for the next storm. These are the conclusions which follow from the comparison of business failures and business activity over the past 50 years.

Information on failures has been published by DUN & BRADSTREET for more than half a century. These figures have been brought together in the Adjusted Insolvency Index. This in-

dex corrects the movement in the number of failures for the increasing number of firms in business, the varying number of days in a given month, and the usual month-to-month seasonal fluctuations. With trend and seasonal variations eliminated as far as possible, the variations in the Insolvency Index must be either broad cyclical swings or random and erratic fluctuations.

Business failures by no means account for all deaths of business enterprises. In "Business Births and Deaths" (DUN'S REVIEW, February, 1937) it was pointed out that during the first six months of 1936 there were eighteen enterprises which left the scene of business without legal formality for every failure in the record. Fluctuations in business deaths must be much like those of business failures, for with the exception of such cases as voluntary retirement and the like, the difference

A FIFTY-YEAR COMPARISON OF THE DUN'S ADJUSTED INSOLVENCY INDEX



is one of degree rather than of kind.

Other types of liquidation have been analyzed in relation to failures. In the DUN & BRADSTREET MONTHLY REVIEW for June, 1936, the comparison between failures and foreclosures revealed the difference in the rate of adjustment to changed conditions of business as compared with real estate. In this case the response to change was found to be more prompt in business. The insolvency record for other kinds of activity would probably likewise reflect somewhat different rates of adjustment.

The Cleveland Trust Company Index of Business Activity, used in this comparison of failures with business activity, is one of the commonly accepted standard indicators of business conditions. In recent years, it is a composite index of manufacturing and mineral production. Before 1901, its more important components were pig iron consumption, railroad freight ton-miles, cotton consumption, canal freight, and coal production. All data are reduced to a per capita basis. This Index is thus a single broad indicator of the general state of business.

No single impression is conveyed by the chart of the Adjusted Insolvency Index. For charting, the Index is smoothed by means of a three-month moving average. In 28 years out of

50, throughout several long periods of apparent calm, the Index remained within 20 per cent above or below normal. In 31 of these 50 years, the Index fluctuated less than ten points during the year. Four periods of stable failures stand out: from 1887 to 1892, from 1900 to 1907, from 1910 to 1913, and from 1923 to 1929.

In the intervals between the stable periods, fluctuations are wide. The all-time high in the Index (as charted, using the three-month moving average) was 170 in 1932, but peaks of 152 in 1915 and of 160 in 1893 and 1896 were reached. The all-time low point was 34 in 1920, and the next lowest was 40 in 1936. Before 1917 the Index went only as low as 75 in 1906 and 1907. Thus before the War the series takes on the aspect of a series of mountain peaks separated by broad and shallow valleys. Since 1915, the peaks have continued, but the valleys have deepened.

Failures and Activity

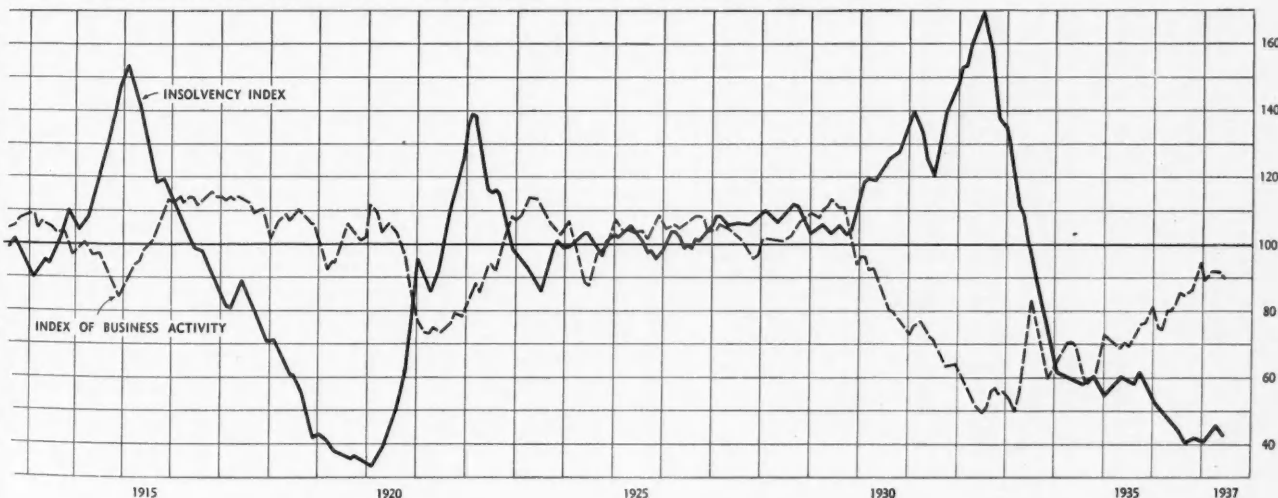
The marked upside-down relationship between the Insolvency Index and an Index of Business Activity is revealed in the accompanying 50-year chart. Periods of good business tend to be accompanied by periods of few failures. Indeed the timing of the

turning-points in the series tends to coincide, and except for the two valley periods since 1915, even the magnitude of the fluctuations seems to be related.

In the seven major depressions in the past 50 years, the business index has reached its bottom in three cases before failures reached their top. In two cases the tops and bottoms have coincided and in the remaining two, the business bottom was behind the failure top. In only one case was the difference greater than three months. This was in 1920 when failures continued upward for nearly a year after the depression bottom in business had been passed. Failures in the early depressions seem to lead business slightly, but since 1910 the business lows have generally come before the insolvency highs.

One might expect that as business activity turned its depression corner, the drop in failures would be sharper than the rise in business, since the increasing speed of business would mean a positive acceleration of business forces and a less than normal number of failures. However, failures decreased more sharply than business increased in only three of the seven major revivals. In three the rate of change was about the same, and in the 1921 revival business rose sharply for a year before the turning-point in failures was reached.

INDEX OF BUSINESS ACTIVITY AND THE CLEVELAND TRUST COMPANY INDEX OF BUSINESS ACTIVITY



DUN'S INSOLVENCY INDEX, 1887-1937, UNADJUSTED AND ADJUSTED FOR SEASONAL VARIATIONS

(Apparent Annual Number of Failures in Each 10,000 Listed Commercial Enterprises)

UNADJUSTED

| | Jan. | Feb. | March | April | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Average |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| 1887 | 145.7 | 117.2 | 111.6 | 81.7 | 71.6 | 75.7 | 72.9 | 75.3 | 76.2 | 93.7 | 108.9 | 128.0 | 96.5 |
| 1888 | 132.2 | 122.0 | 97.0 | 80.7 | 85.6 | 88.8 | 90.5 | 88.5 | 82.5 | 105.5 | 115.9 | 145.4 | 102.8 |
| 1889 | 160.5 | 120.2 | 105.2 | 93.8 | 81.2 | 85.5 | 86.8 | 83.4 | 78.2 | 88.4 | 115.7 | 134.3 | 102.8 |
| 1890 | 135.0 | 122.3 | 104.8 | 79.5 | 76.0 | 77.4 | 78.4 | 75.8 | 75.6 | 87.9 | 118.4 | 155.7 | 98.9 |
| 1891 | 100.7 | 120.5 | 103.4 | 87.3 | 80.7 | 89.7 | 95.4 | 93.4 | 89.9 | 97.1 | 123.0 | 140.2 | 107.4 |
| 1892 | 149.1 | 116.6 | 91.3 | 75.8 | 72.3 | 67.2 | 67.7 | 69.2 | 61.3 | 85.6 | 94.0 | 112.5 | 88.5 |
| 1893 | 140.8 | 104.5 | 88.5 | 80.7 | 103.7 | 133.3 | 143.3 | 142.1 | 113.9 | 157.4 | 170.8 | 184.8 | 130.3 |
| 1894 | 202.9 | 159.7 | 112.3 | 98.4 | 94.5 | 98.7 | 102.0 | 103.3 | 95.9 | 113.2 | 137.0 | 162.2 | 123.3 |
| 1895 | 169.1 | 123.3 | 104.6 | 90.9 | 93.3 | 97.8 | 99.5 | 87.3 | 88.8 | 103.0 | 130.0 | 152.8 | 111.7 |
| 1896 | 170.1 | 133.3 | 120.2 | 102.0 | 97.5 | 111.4 | 113.4 | 132.9 | 147.3 | 134.3 | 154.4 | 183.6 | 133.4 |
| 1897 | 192.9 | 142.5 | 115.8 | 103.7 | 107.8 | 111.7 | 110.8 | 105.6 | 99.5 | 104.6 | 137.8 | 163.9 | 124.7 |
| 1898 | 174.2 | 139.2 | 106.4 | 110.0 | 108.1 | 110.9 | 100.8 | 83.2 | 83.8 | 96.3 | 103.8 | 110.0 | 110.6 |
| 1899 | 125.8 | 94.0 | 82.7 | 76.8 | 68.6 | 71.5 | 66.8 | 67.2 | 69.7 | 71.7 | 87.0 | 103.4 | 82.1 |
| 1900 | 118.5 | 99.8 | 84.5 | 84.3 | 83.0 | 77.7 | 94.8 | 76.3 | 85.0 | 87.0 | 94.0 | 112.1 | 91.6 |
| 1901 | 137.0 | 112.8 | 90.9 | 86.3 | 68.8 | 80.6 | 77.2 | 72.8 | 74.4 | 85.4 | 91.8 | 106.8 | 90.4 |
| 1902 | 135.2 | 122.7 | 82.4 | 90.5 | 90.7 | 78.0 | 76.6 | 77.9 | 81.4 | 87.7 | 91.3 | 102.4 | 93.1 |
| 1903 | 115.2 | 105.2 | 80.6 | 71.5 | 73.8 | 79.0 | 78.3 | 72.7 | 82.6 | 104.8 | 124.8 | 130.1 | 94.0 |
| 1904 | 130.5 | 98.3 | 83.3 | 84.4 | 86.6 | 88.5 | 91.1 | 86.3 | 84.0 | 90.7 | 96.4 | 92.3 | 92.3 |
| 1905 | 122.3 | 101.6 | 90.6 | 78.3 | 81.0 | 81.1 | 74.8 | 75.0 | 74.9 | 76.8 | 78.3 | 84.3 | 80.3 |
| 1906 | 100.0 | 89.4 | 74.7 | 72.6 | 73.3 | 67.8 | 70.7 | 61.2 | 65.5 | 70.6 | 84.2 | 82.6 | 76.8 |
| 1907 | 111.0 | 86.2 | 75.1 | 71.3 | 69.7 | 65.6 | 71.1 | 65.7 | 70.5 | 86.5 | 105.0 | 114.7 | 82.8 |
| 1908 | 160.6 | 139.1 | 116.8 | 104.1 | 110.0 | 97.9 | 100.3 | 90.0 | 90.9 | 89.2 | 92.5 | 106.6 | 108.2 |
| 1909 | 120.7 | 107.2 | 94.2 | 85.0 | 81.4 | 79.0 | 82.6 | 68.6 | 73.8 | 75.5 | 88.6 | 89.0 | 87.1 |
| 1910 | 112.1 | 96.8 | 80.5 | 78.6 | 72.4 | 72.8 | 81.9 | 73.8 | 79.5 | 75.1 | 85.4 | 96.3 | 83.8 |
| 1911 | 121.9 | 107.5 | 93.1 | 79.1 | 83.0 | 75.7 | 76.2 | 70.1 | 75.3 | 78.8 | 86.7 | 108.9 | 88.0 |
| 1912 | 140.0 | 130.7 | 106.5 | 97.5 | 84.5 | 81.8 | 86.3 | 86.8 | 89.5 | 90.3 | 91.0 | 112.1 | 99.8 |
| 1913 | 122.1 | 106.4 | 89.9 | 92.0 | 83.6 | 84.2 | 85.4 | 83.4 | 88.4 | 100.1 | 113.4 | 126.8 | 98.1 |
| 1914 | 134.4 | 125.6 | 104.9 | 102.4 | 103.6 | 103.4 | 109.1 | 102.5 | 117.4 | 130.4 | 144.2 | 133.5 | 117.6 |
| 1915 | 208.7 | 177.0 | 148.4 | 143.3 | 124.8 | 121.1 | 119.5 | 98.8 | 100.8 | 110.7 | 120.4 | 113.4 | 132.7 |
| 1916 | 146.7 | 132.6 | 107.4 | 101.3 | 99.5 | 83.5 | 86.2 | 88.4 | 84.1 | 86.0 | 90.3 | 90.0 | 90.7 |
| 1917 | 103.6 | 94.2 | 79.2 | 77.4 | 86.5 | 78.0 | 73.3 | 70.0 | 73.4 | 72.5 | 75.5 | 80.3 | 80.3 |
| 1918 | 85.7 | 79.4 | 72.6 | 61.4 | 58.4 | 59.4 | 49.0 | 54.0 | 48.2 | 45.8 | 41.8 | 49.2 | 58.7 |
| 1919 | 48.6 | 46.9 | 42.3 | 37.8 | 35.1 | 34.4 | 32.8 | 29.6 | 32.0 | 31.8 | 39.7 | 38.0 | 37.4 |
| 1920 | 37.6 | 38.6 | 34.4 | 35.2 | 36.4 | 40.7 | 44.1 | 42.3 | 43.8 | 60.0 | 72.5 | 93.8 | 48.3 |
| 1921 | 125.2 | 114.7 | 78.6 | 90.5 | 82.1 | 82.7 | 90.2 | 90.2 | 90.8 | 106.6 | 128.7 | 142.4 | 101.9 |
| 1922 | 175.0 | 159.8 | 134.8 | 132.7 | 115.2 | 102.1 | 105.4 | 97.0 | 96.5 | 103.5 | 105.5 | 110.4 | 110.8 |
| 1923 | 127.5 | 102.2 | 92.9 | 93.2 | 88.4 | 79.1 | 75.0 | 72.6 | 78.1 | 66.0 | 105.3 | 111.4 | 93.4 |
| 1924 | 127.7 | 110.2 | 99.9 | 100.7 | 99.2 | 83.5 | 66.8 | 91.7 | 79.4 | 89.2 | 102.6 | 119.2 | 100.0 |
| 1925 | 129.0 | 117.1 | 102.5 | 107.3 | 100.5 | 96.6 | 92.8 | 79.8 | 86.3 | 87.8 | 100.5 | 103.3 | 100.4 |
| 1926 | 129.6 | 115.4 | 103.5 | 106.4 | 97.2 | 91.6 | 86.4 | 85.8 | 80.6 | 86.5 | 106.5 | 111.1 | 101.0 |
| 1927 | 137.6 | 129.0 | 110.7 | 105.5 | 103.2 | 98.1 | 96.7 | 87.4 | 88.3 | 98.8 | 107.2 | 114.7 | 106.4 |
| 1928 | 141.4 | 133.2 | 116.8 | 102.3 | 105.5 | 103.1 | 95.9 | 93.4 | 94.5 | 104.0 | 105.1 | 106.4 | 108.5 |
| 1929 | 130.2 | 122.4 | 108.3 | 106.3 | 100.6 | 96.2 | 93.6 | 87.9 | 90.2 | 92.2 | 100.3 | 118.9 | 103.9 |
| 1930 | 146.1 | 142.8 | 124.8 | 116.8 | 113.5 | 116.2 | 110.4 | 101.9 | 109.6 | 114.6 | 126.0 | 136.4 | 121.6 |
| 1931 | 181.7 | 166.6 | 139.8 | 131.6 | 128.3 | 108.0 | 106.7 | 105.5 | 111.0 | 133.5 | 138.8 | 148.8 | 133.4 |
| 1932 | 166.0 | 181.2 | 156.4 | 157.2 | 165.4 | 151.5 | 154.0 | 151.6 | 129.9 | 133.8 | 129.3 | 143.2 | 154.1 |
| 1933 | 174.3 | 156.1 | 111.1 | 118.3 | 113.0 | 97.6 | 87.4 | 83.5 | 68.2 | 73.6 | 78.5 | 69.0 | 102.6 |
| 1933* | 172.5 | 155.4 | 109.1 | 117.3 | 109.4 | 94.4 | 84.6 | 80.9 | 65.7 | 71.1 | 75.8 | 67.4 | 100.3 |
| 1934 | 77.0 | 70.3 | 60.4 | 62.4 | 55.4 | 58.4 | 53.2 | 49.2 | 48.8 | 60.7 | 58.1 | 56.6 | 59.2 |
| 1935 | 66.7 | 66.0 | 55.0 | 63.5 | 58.8 | 57.5 | 52.8 | 49.0 | 50.0 | 61.8 | 59.4 | 55.3 | 58.1 |
| 1936 | 63.0 | 56.6 | 53.3 | 50.4 | 46.4 | 44.6 | 38.1 | 36.2 | 33.4 | 36.2 | 44.3 | 42.6 | 45.4 |
| 1937 | 46.0 | 48.4 | 44.9 | 46.4 | 45.4 | 39.3 | 36.0 | 38.1 | 34.1 | 42.8 | ... | ... | ... |

ADJUSTED FOR SEASONAL VARIATIONS

| | | | | | | | | | | | | | |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-----|
| 1887 | 99.8 | 93.8 | 112.7 | 93.9 | 87.3 | 87.0 | 88.0 | 91.8 | 96.5 | 94.6 | 93.1 | 91.4 | ... |
| 1888 | 91.2 | 99.7 | 99.0 | 93.8 | 104.4 | 102.1 | 109.0 | 107.9 | 105.8 | 107.7 | 98.2 | 105.4 | ... |
| 1889 | 110.7 | 99.3 | 108.5 | 111.7 | 100.2 | 98.3 | 104.6 | 100.5 | 101.6 | 91.1 | 100.6 | 98.0 | ... |
| 1890 | 93.1 | 102.8 | 109.2 | 97.0 | 93.8 | 89.0 | 93.3 | 90.2 | 98.2 | 91.6 | 103.9 | 115.3 | ... |
| 1891 | 111.6 | 103.0 | 108.8 | 108.1 | 107.8 | 103.1 | 112.2 | 109.9 | 116.8 | 102.2 | 108.4 | 105.4 | ... |
| 1892 | 103.5 | 100.5 | 97.1 | 94.8 | 89.3 | 77.2 | 79.6 | 80.5 | 78.6 | 91.1 | 83.2 | 85.2 | ... |
| 1893 | 98.5 | 90.9 | 95.2 | 100.9 | 126.5 | 153.2 | 166.6 | 163.3 | 144.2 | 169.2 | 152.5 | 142.2 | ... |
| 1894 | 141.9 | 140.1 | 122.1 | 123.0 | 115.2 | 113.4 | 118.6 | 118.7 | 119.9 | 121.7 | 123.4 | 125.7 | ... |
| 1895 | 119.1 | 109.1 | 113.7 | 112.2 | 112.4 | 112.4 | 114.4 | 101.5 | 109.6 | 112.0 | 118.2 | 120.3 | ... |
| 1896 | 119.8 | 119.0 | 130.7 | 124.4 | 116.1 | 128.0 | 130.3 | 156.4 | 179.6 | 146.0 | 141.7 | 146.9 | ... |
| 1897 | 136.8 | 127.2 | 125.9 | 126.5 | 126.8 | 128.4 | 125.0 | 125.7 | 121.3 | 113.7 | 127.6 | 133.3 | ... |
| 1898 | 123.5 | 124.3 | 114.4 | 132.5 | 127.5 | 127.5 | 113.3 | 100.2 | 101.0 | 105.8 | 97.0 | 90.2 | ... |
| 1899 | 89.9 | 84.7 | 88.9 | 91.4 | 79.8 | 82.2 | 75.1 | 82.0 | 83.0 | 78.8 | 81.3 | 86.2 | ... |
| 1900 | 84.6 | 89.1 | 89.9 | 99.2 | 97.6 | 89.3 | 105.3 | 93.0 | 100.0 | 96.7 | 89.5 | 94.2 | ... |
| 1901 | 98.6 | 100.7 | 96.7 | 100.3 | 79.1 | 92.6 | 85.8 | 88.8 | 86.5 | 93.8 | 87.4 | 91.3 | ... |
| 1902 | 97.3 | 109.6 | 86.7 | 104.0 | 104.3 | 89.7 | 85.1 | 95.0 | 93.6 | 95.3 | 87.8 | 89.0 | ... |
| 1903 | 83.5 | 93.9 | 93.3 | 81.3 | 83.9 | 90.8 | 87.0 | 88.7 | 93.9 | 113.9 | 120.0 | 115.1 | ... |
| 1904 | 94.6 | 87.0 | 85.9 | 93.7 | 98.4 | 101.7 | 101.2 | 105.2 | 90.3 | 91.3 | 88.1 | 86.1 | ... |
| 1905 | 88.6 | 89.1 | 92.4 | 87.0 | 91.0 | 93.2 | 81.1 | 91.5 | 85.1 | 83.5 | 76.8 | 76.6 | ... |
| 1906 | 78.4 | 77.7 | 75.5 | 70.8 | 82.4 | 77.9 | 78.6 | 74.6 | 74.4 | 77.6 | 83.4 | 75.8 | ... |
| 1907 | 70.4 | 74.3 | 75.1 | 77.5 | 77.4 | 75.4 | 79.0 | 80.1 | 81.0 | 96.1 | 105.0 | 105.2 | ... |
| 1908 | 113.1 | 118.0 | 115.6 | 113.2 | 122.2 | 112.5 | 111.4 | 109.8 | 103.3 | 100.2 | 93.4 | 96.9 | ... |
| 1909 | 85.0 | 90.8 | 93.3 | 92.4 | 89.5 | 90.8 | 91.8 | 83.7 | 83.9 | 84.8 | 89.5 | 80.2 | ... |
| 1910 | 80.1 | 81.3 | 78.0 | 84.5 | 79.6 | 83.7 | 91.0 | 90.0 | 90.3 | 84.4 | 87.1 | 86.0 | ... |
| 1911 | 88.3 | 89.6 | 91.3 | 85.1 | 90.2 | 87.0 | 84.7 | 85.5 | 86.6 | 87.6 | 89.4 | 95.5 | ... |
| 1912 | 102.8 | 108.9 | 104.4 | 103.7 | 91.8 | 94.0 | 95.9 | 105.0 | 101.7 | 97.1 | 93.8 | 97.5 | ... |
| 1913 | 90.4 | 86.4 | 89.0 | 98.8 | 90.9 | 96.8 | 94.9 | 101.7 | 100.5 | 106.5 | 115.7 | 108.4 | ... |
| 1914 | 101.8 | 106.4 | 104.0 | 107.8 | 111.4 | 118.9 | 121.2 | 123.5 | 133.4 | 137.3 | 145.7 | 136.2 | ... |
| 1915 | 160.5 | 151.3 | 148.4 | 150.8 | 134.2 | 137.6 | 132.8 | 117.6 | 114.5 | 123.1 | 120.4 | 114.5 | ... |
| 1916 | 115.5 | 114.3 | 107.4 | 105.5 | 105.9 | 94.9 | 95.8 | 102.8 | 95.6 | 92.4 | 88.5 | 88.2 | ... |
| 1917 | 82.9 | 82.6 | 79.2 | 80.6 | 92.0 | 87.6 | 88.7 | 83.3 | 80.5 | 78.9 | 69.7 | 72.6 | ... |
| 1918 | 70.2 | 70.3 | 72.6 | 64.6 | 61.5 | 66.0 | 54.4 | 61.4 | 56.0 | 49.2 | 39.8 | 46.4 | ... |
| 1919 | 40.5 | 42.3 | 42.3 | 39.0 | 36.9 | 37.8 | 36.4 | 34.0 | 38.1 | 34.6 | 37.5 | 34.9 | ... |
| 1920 | 31.1 | 35.1 | 34.4 | 35.9 | 38.3 | 44.7 | 49.0 | 49.8 | 52.8 | 65.2 | 67.8 | 83.0 | ... |
| 1921 | 100.2 | 104.3 | 78.6 | 92.3 | 85.5 | 89.9 | 100.2 | 107.4 | 108.1 | 115.9 | 119.2 | 124.9 | ... |
| 1922 | 137.8 | 145.3 | 134.8 | 135.4 | 120.0 | 111.0 | 117.1 | 116.0 | 114.0 | 112.5 | 98.6 | 97.7 | ... |
| 1923 | 98.8 | 92.1 | 92.9 | 94.1 | 91.1 | 86.0 | 83.3 | 87.8 | 93.9 | 104.3 | 98.3 | 99.5 | ... |
| 1924 | 98.2 | 98.4 | 99.0 | 100.7 | 102.3 | 101.0 | 101.8 | 94.5 | 97.7 | 107.0 | 107.7 | 107.7 | ... |
| 1925 | 99.9 | 102.7 | 102.7 | 103.2 | 103.5 | 105.0 | 103.2 | 97.3 | 102.7 | 106.5 | 96.6 | 93.9 | ... |
| 1926 | 99.7 | 99.5 | 103.5 | 106.4 | 100.2 | 98.4 | 96.0 | 104.6 | 95.7 | 107.1 | 103.4 | 101.0 | ... |
| 1927 | 105.8 | 100.3 | 110.7 | 105.5 | 106.4 | 105.5 | 107.4 | 105.3 | 105.1 | 107.4 | 105.1 | 106.2 | ... |
| 1928 | 108.8 | 111.0 | 116.8 | 102.3 | 107.5 | 109.0 | 105.6 | 112.5 | 112.5 | 110.3 | 99.4 | 100.4 | ... |
| 1929 | 100.9 | 101.2 | 108.3 | 106.3 | 102.7 | 103.4 | 104.0 | 105.9 | 107.4 | 100.2 | 100.3 | 112.2 | ... |
| 1930 | 114.1 | 117.0 | 124.8 | 116.8 | 115.8 | 124.9 | 122.7 | 122.8 | 130.5 | 124.6 | 127.3 | 129.0 | ... |
| 1931 | 142.0 | 136.6 | 139.8 | 131.6 | 129.6 | 116.1 | 118.6 | 125.6 | 132.1 | 145.1 | 140.2 | 141.7 | ... |
| 1932 | 154.3 | 148.5 | 156.4 | 155.6 | 167.1 | 162.0 | 171.1 | 174.3 | 154.6 | 145.4 | 130.6 | 137.7 | ... |
| 1933 | 138.3 | 129.0 | 111.1 | 117.1 | 114.1 | 103.8 | 97.1 | 96.0 | 81.2 | 80.0 | 78.5 | 67.0 | ... |
| 1933* | 136.9 | 128.4 | 109.1 | 116.1 | 110.5 | 100.4 | 94.0 | 93.0 | 78.2 | 77.3 | 75.8 | 65.4 | ... |
| 1934 | 61.6 | 59.1 | 60.4 | 61.8 | 56.0 | 61.5 | 59.1 | 56.6 | 58.1 | 66.0 | 57.5 | 55.5 | ... |
| 1935 | 53.8 | 55.9 | 55.0 | 58.5 | 58.8 | 60.5 | 58.7 | 57.9 | 55.9 | 67.2 | 58.2 | 54.8 | ... |
| 1936 | 51.2 | 48.8 | 53.3 | 49.4 | 46.4 | 46.9 | 42.6 | 42.6 | 39.8 | 39.3 | 43.4 | 42.6 | ... |
| 1937 | 37.4 | 42.1 | 44.9 | 45.5 | 45.4 | 41.4 | 40.0 | 44.8 | 40.6 | 46.5 | ... | ... | ... |

The high point of business came before the low point of failures in four of the six periods of boom. In one case the two coincided and in the other, business lagged after failures. Enterprises thus tend to survive briefly even after business recedes from its peak. There is no apparent movement out of the business scene of some marginal enterprises in anticipation of the downturn.

In the shorter movements, a similar relationship is distinguishable. If each year is considered as a unit, 46 out of the 50 years show an inverse or partly inverse movement between the two series, 27 of the years being clear cases of rising business and falling failures or vice versa. In the four years in which the series were parallel the similarity of the movements seems to rise from long leads or lags in the major movements. The conclusion is unmistakable that when the wind of poor business starts to blow the effect is almost immediately traced in the falling of the limb-dwellers.

The extent of the fluctuations of the Insolvency Index appears to be clearly related to the size of the swing of business activity. In major depressions, the average elevation of the Insolvency Index above the 100-mark (almost exactly its 50-year average) was about 45 per cent as compared with the average drop of business activity of 25 per cent. In five of the seven major depressions the swing of the Insolvency Index was greater than that of the business index and about the same in the other two. The conclusion may be drawn that the greater the drop in business, the more the failure deviation will exceed the business one.

Comparative Swings

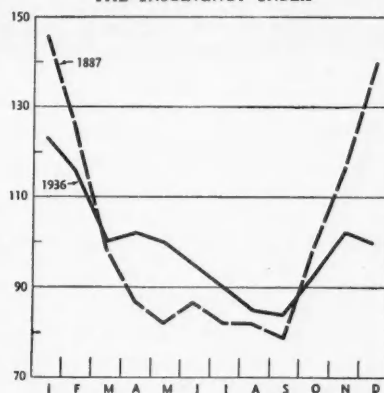
In the peak periods of business, failures continue to have wider swings from normal than business activity, although the average dip of failures was roughly 15 per cent below 100 as compared with the business activity elevation of 10 per cent in the six boom

periods; the peak of failures was higher in four of the six cases. However, fluctuations of the Insolvency Index in more or less normal times seem not so great as the fluctuations in business activity. Thus, the Insolvency Index in general revolves about the business activity index. For small movements the Insolvency Index fluctuates less than or equal to, business activity, but as the movements increase, the rate of change in insolvencies is more rapid.

Why the Present Level?

The 50 years' survey of failures and business activity furnishes rough rules of their relationship; it shows that the series are inverse, that the fluctuations tend to be related, and that the

SEASONAL VARIATION IN
THE INSOLVENCY INDEX



timing of the turning-points is close. Yet, the relationship during the past four years seems to ignore what has gone before. The Insolvency Index dropped in 1932 and 1933 from 170 to 60. Business rose from 50 to 60 per cent of normal during this time and continued upward, but remained considerably below normal through 1936. The Insolvency Index remained at its low level for two years and then resumed its downward movement in 1936.

It is possible that failures are low in this period because of the drastic depression housecleaning and because of the upward momentum in business which has protected all those who survived the previous years. However,

such a conclusion is not justified by the experience in previous situations. Another possible reason for the low level of failures is the changed attitude on the part of creditors since 1933. Observers on the business scene say that many loans which would have been called in during normal times have been extended, and this in part accounts for the less than normal rate of liquidation. Government aid through the RFC and other loaning agencies has probably supplemented this change in attitude, but it seems unlikely that it would have a continuous effect in lowering the rate of failures. Corporate reorganization under Section 77-B has probably had a similar effect. (See note in table on opposite page.)

The difference between this and other periods lies probably in the relations between prices, costs, and business profits. It was possible for enterprises to remain in business during these last four years because rising prices, rather than business activity, kept profit margins intact. This suggests that the relation between prices and costs, or what is the same thing, the relation between groups of prices, has been more important than business activity in determining the extent of failure during this period.

One More Rule

This hypothesis is supported by the experience during the years from 1916 to 1920. Business activity then was very little higher than it had been in previous years, but the rate of failure remained very much lower than it ever had been before. Wide margins and high profits in those years made it possible for enterprises to survive and so for a time severed the close relationship which apparently exists between failures and business activity. Thus, one more rough rule may be added, and that is that the other rough rules hold only so long as price relationships do not change rapidly.

The seasonal pattern of the Insolvency Index is one of considerable variation.
(Continued on page 45)



SIGNS OF SIN AND SANITY

II. STANDARDS OF FINANCIAL RESPONSIBILITY

ROY A. FOULKE

DUN & BRADSTREET, INC.

LAST month we learned that the business sinner has a timed technique. The opening of a retail establishment in anticipation of "failing for a profit," the payments for initial purchases on discount or prompt terms, the wide distribution of unsolicited orders among many diverse lines of business, followed by the disappearance of the principal into thin air like the evaporation of the Hindu boy who climbs the wriggling rope in the ancient Far Eastern magical performance, take place in orderly succession within a period of a very few weeks. The financial condition of his business means nothing to such an adventurer except that the more he owes, the greater his liabilities when he disap-

This is the second of two articles on standards by which the responsibility of a business enterprise may be judged. In the November DUN's REVIEW Part I discussed guides to the recognition of fraudulent failure. Included here in Part II are fourteen balance sheet and income statement ratios based on year-end figures for 1936 operations in each of sixty lines of business activity.

pears, the more "successful" will his operation have been.

On the other hand, the operating managements of every one of the approximately 2,000,000 active commercial and industrial business enterprises

in existence that are using some portion of their ingenuity, conscientiousness, ability, experience, and knowledge in their attempts to earn livelihoods in the case of the small concerns and to earn profits in the case of the larger ones, must give at least some moderate degree of thought and attention to the financial conditions of their businesses.

Instead of the sky being the limit as with the commercial buccaneer, the liabilities of such enterprises operating in a competitive environment must be kept within reason when compared with the current assets and when compared with the tangible net worth. Moreover, if a business enterprise is to be operated with some degree of profits

each year not only must the amount of the liabilities but also the amount of the receivables, the inventory, the fixed assets, the funded liabilities, the net working capital, and the tangible net worth, be kept within certain definite reasonable proportions to other items in the balance sheet and in the profit and loss account.

Fourteen such important ratios, based upon 1936 year-end figures for

35 lines of manufacturing activity, 18 of wholesaling and 7 of retailing, are given on pages 22 and 23. These ratios are average figures from which the exaggerated proportions at both ends of the scale have been eliminated. They are particularly applicable to any concern with a tangible net worth in excess of \$50,000.

Merely Averages

As these are average ratios they should not be taken as normal standards. The really successful healthy concern in any one of these divisions of industry or commerce would be the business enterprise whose ratios were better than the average, where the proportion of liabilities to tangible net worth was smaller, of fixed assets to tangible net worth lighter, where the collection period compares favorably with terms of sale of respective concerns, and where profit percentages possibly are higher although profit figures, after all, should not receive too great attention at the expense of other more fundamental significant facts.

This is the sixth successive year for which the comparable fourteen important ratios have been determined for these particular 60 lines of business activity. In addition to the fact that these ratios may be used as a basis with which executives might compare the conditions of their own businesses, they are interesting in a broader economic viewpoint as they reflect three definite trends which took place during the year 1936, interesting trends which have to do with (a) net profits, (b) inventories, and (c) current liabilities. These three trends are discussed in the remainder of this study.

Profits General

The year 1936 is the only year from 1931 through 1936 in which every one of these 60 divisions of industrial and commercial activity disclosed an average net profit. That is certainly an enlightening indication of the degree of success with which operations were carried on last year. In 1935 only two

lines of business reflected an average loss, in 1934 eight, while in 1932, the low point of the depression, 54 of these 60 distinct lines of commercial and industrial activity were in the red. Four years from the very depths of despondency to the heights of material success!

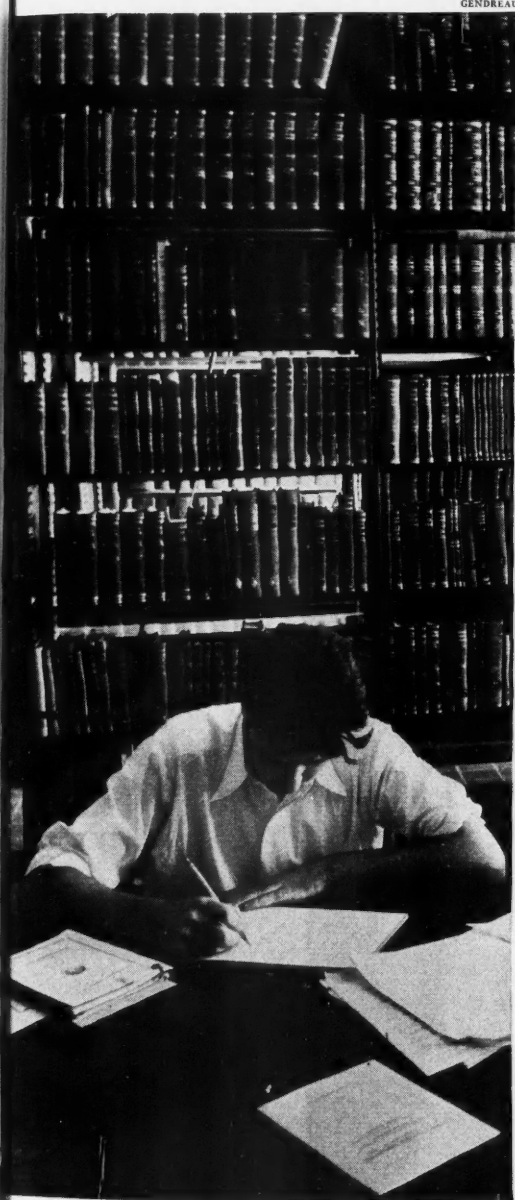
Four divisions of business activity have disclosed average percentage net profits for each one of the last six years, the manufacturers of chemicals, the manufacturers of toys and novelties, the wholesalers of butter, eggs, and cheese, and the wholesalers of groceries. The highest average net profit on the tangible net worth for the six-year period was reflected by the operations of the manufacturers of industrial chemicals, a division of our industrial life which had a remarkable renaissance during the very years of the depression. For 1936 the manufacturers of electrical parts and supplies disclose the highest average ratio of profit on their tangible net worth.

Fewer Failures

The fact that 1936 was an unusually profitable year is further emphasized by the steady decrease in the number of business failures for the entire country which took place last year. In 1932 we had 31,822 failures, the greatest number in our entire economic history but from 1932 to 1936 there occurred an appreciable drop each year. In 1936 only 9,185 concerns became insolvent. In only two years since 1883, the years 1919 and 1920, had the number of business failures been lower. Perhaps the steady increase in wholesale commodity prices from February, 1933, to April, 1937, provided an innocent but significant background for these particularly favorable results.

While the widespread profits for the calendar year of 1936 presented a most happy picture, the heavy year-end inventories presented a dismal, unfavorable contrast. At the end of 1936 inventories in many lines were higher than in any recent year.

This fact is clearly indicated by the one ratio of "net working capital repre-



sented by inventory," a standard for measuring inventories which is gradually receiving increased, deserved attention from operating managements and particularly from those managements which periodically lose on "inventory write-downs" what they earn on actual operations. The net working capital of a business enterprise generally changes very moderately from one year to another and in years of profitable operations has a tendency to go up. As a result, with increased profits in 1936, any material increase in this particular ratio could only have been brought about by larger year-end inventories.

Of the 60 divisions of industry and commerce under review, 22 had the highest average ratio of inventory to net working capital in over six years. Forty-three of the lines had higher average inventories than at the close of 1935. At the end of 1936 inventories were still skyward bound.

The trend of wholesale commodity prices during the past eight years has fluctuated like the inverted figure of a capital "N," down, up, and then down again with the persistence of the uni-

versal law of gravitation. The long decline of prices which started in the Summer of 1929 came to an end in March, 1933. The combined index of the wholesale prices of 784 commodities, as computed by the Bureau of Labor Statistics with 1926 as the base, fell during this period from 96.5 in July, 1929, to 59.8 in February, 1933, an appreciable drop which at the time was only too well recognized and only too gleefully regarded by all wide-awake purchasing agents.

Trend of Prices

In March, 1933, a reaction set in and wholesale prices started upward. They went upward throughout the remainder of 1933, continued to rise through 1934, the sharp rise of these years flattening out in 1935 but still riding on a one-way elevator. The trend continued through 1936 reaching an eloquent climax in April, 1937. In April, that is, eight months ago, the wholesale prices of copper, tin, cocoa, crude rubber, wool, wheat, butter, and steel scrap were selling at their highest points for periods which ranged from six to nine

years. With the impetus given by the receipt of large orders for raw materials to be used in the rearmament programs of Europe and Asia, business was on one big buying bender.

There is no one factor which has such an immediate stimulating effect upon the well-being of a business enterprise as the level of wholesale commodity prices. If the prices of the products which a concern is utilizing or distributing go up, its own selling prices can be raised and an unexpected profit obtained on the sale of the inventory purchased at a lower level. To a marginal enterprise balancing itself on the brink of uncertainty, that means renewed vigor, a somewhat stronger lease on life. Conversely when prices fall, the inventory on hand must be marked lower in order to move it in a competitive market and a loss is taken in that very process, a process which ends only in complete oblivion to many marginal concerns.

Unfortunately it is a typical characteristic of the American business operator to purchase more merchandise in a rising market than he normally needs



in order to make a speculative profit in the further ensuing rise. That is the explanation of part of the substantial net profits and the general uniformity of net profits in 1936. Inventory profits materialized as well as operating profits.

But since April of this year, wholesale prices have been reacting, and those business enterprises which made purchases or placed commitments for future delivery far in excess of their reasonable needs in anticipation of still higher prices are now working out their own sentences. Neither sales nor

wholesale prices can keep going up forever. There is always a day of reckoning, sometimes a month of reckoning, and occasionally even several months. That is the condition today with many concerns in widely different lines of commercial and industrial activity holding bags filled with high-priced merchandise.

An Inventory Loss

Here is a typical situation. The manufacture of men's and boys' cotton underwear from woven fabric is no specialty or speculative business. Gray

goods of various patterns and construction are purchased from cotton textile mills, cut to size and pattern, sewed, boxed, and then marketed. The routine is relatively simple; some ingenuity is used in styling, considerably more on the cutting table, and a full measure of resourcefulness in the sales end of the business to obtain a sufficient volume to cover overhead and effect a profit. Under this set-up operations are carried on as a volume business.

There is a particular enterprise which has operated with unusual success in this line for fourteen years; the tangible net worth on July 31, 1937, amounted to \$362,000, an investment which had been built up entirely out of an initial paid-in capital of \$36,000 and subsequent earnings. That took place before there had been much serious consideration of any undistributed profits tax. Operations were conducted with a high consistent margin of profit through every year of the depression, but today this concern is in the position to take it squarely on the chin for the calendar year 1937, a year phenomenally better than 1932 or 1933 when anchors could hardly be raised from the mired bottom. Why? What is the reason? There is one reason and only one basic answer, speculation in merchandise, the insistent desire to obtain an increment of easy profit by buying more merchandise than was needed early in the year in anticipation of still higher prices.

Cotton Speculation

The bulk of the gray goods used by this enterprise in the cutting-up and sewing of its men's and boys' cotton underwear consists of carded broadcloth, 80 by 60 construction, 36½ inches wide. That is the popular cotton piece goods generally and widely used for this purpose. Prices of cotton broadcloth of this particular construction in the gray opened in January, 1936, at 7 cents per yard and gradually went down to 5 9/16 cents in May, then started upward as more and more forward orders were placed with the mills.

EXPLANATION OF RATIO ANALYSIS TERMS

COLLECTION PERIOD—The number of days that the total of trade accounts and notes receivable (including assigned accounts and discounted notes, if any) less reserves for bad debts, represents when compared with the annual net credit sales. Formula—divide the annual net credit sales by 365 days to obtain the average credit sales per day. Then divide the total of accounts and notes receivable by the average credit sales per day to obtain the average collection period.

CURRENT ASSETS—Total of cash, accounts, and notes receivable for the sale of merchandise in regular trade quarters, inventory, listed securities when carried at the lower of cost or market, and United States Government securities.

CURRENT DEBT—Total of all liabilities due within one year from statement date including current payments on serial notes, mortgages, debentures, or other funded debts. This item also includes current reserves such as reserves for taxes and reserves for contingencies set up for specific purposes, but does not include reserves for depreciation.

FIXED ASSETS—The sum of the depreciated book values of real estate, buildings, leasehold improvements, fixtures, furniture, machinery, tools, and equipment.

FUNDED DEBT—Mortgages, bonds, debentures, gold notes, serial notes or other obligations with a maturity of more than one year from the statement date.

INVENTORY—The sum of raw material, material in process, and finished merchandise. It does not include supplies.

NET PROFITS—Profit after full depreciation on buildings, machinery, equipment, furniture, fixtures, and other assets of a fixed nature; reserve for taxes; reduction in the value of inventory to cost or market, whichever lower; charge-offs for bad debts; all miscellaneous reserves and adjustments; but before dividends or withdrawals.

NET SALES—The dollar volume of business transacted for 365 days net after deductions for returns, allowances, and discounts from gross sales.

NET SALES TO INVENTORY—The quotient obtained by dividing the annual net sales by the statement inventory. This quotient does not represent the actual physical turnover which would be determined by reducing the annual net sales by the percentage of gross profit, and then dividing the resulting figure by the statement inventory.

TANGIBLE NET WORTH—The sum of all preferred stocks (if any) and common stocks, surplus, and undivided profits, less any intangible items in the assets, such as goodwill, trade-marks, patents, copyrights, leaseholds, mailing lists, treasury stock, organization expenses, and underwriting discounts and expenses.

TURNOVER OF TANGIBLE NET WORTH—The quotient obtained by dividing the annual net sales by the tangible net worth.

TURNOVER OF NET WORKING CAPITAL—The quotient obtained by dividing the annual net sales by the net working capital.

NET WORKING CAPITAL—The difference between the current assets and the current debt.

As the mills became sold ahead, prices slowly but steadily stiffened reaching a high of 8¾ cents per yard in December. The world, that is, the American business world was indeed very rosy last December.

This price remained almost stationary in January, 1937. Mills were sold ahead for three, four, and five months. In 1920 raw sugar sold as high as 22½ cents per pound. In 1925 spot rubber, ribbed smoked sheets, changed hands at \$1.22 per pound. Today raw sugar is selling at 3.30 cents per pound and crude rubber at 15⅜ cents per pound. Was the market for gray goods headed in the same direction as the market for raw sugar in 1920 and in the same

direction as the market for crude rubber in 1925?

The unwary manufacturer of underwear looked back at the steady rise in prices which had taken place over a period of seven months. If only he had been awake to conditions and had placed substantial orders in May when the price of gray goods was 59/16 cents per yard or even in June or July when he could have bought at 6 or 6½ cents per yard. If . . . , if only he had made those commitments, what a profit he would have had on his inventory in January—2¼ to 2½ cents per yard—37½ per cent on what would have been his purchase price!

Carded broadcloth opened in Jan-

uary at 8¾ cents per yard. With the apparently tremendous demand, prices would continue to rise. Better late than never! After all, here was a chance to clean up easily, just as easily as the lamb could clean up Wall Street, just as easily as Popeye could get along without his spinach. So we find the president of this enterprise, who had his normal requirements for merchandise covered for five months, going into the market in January for 2,200,000 yards of gray goods.

The bottom didn't fall out of the gray goods market in February. In fact, it wasn't until April 2, that President Roosevelt discussed in a press conference in no vague, elusive terms that

FOURTEEN AVERAGE RATIOS BASED ON 1936 YEAR-END

| LINE OF BUSINESS | Number of Concerns | Current Assets to Current Debt (Ratio) | Net Profits on Net Sales (Per Cent) | Net Profits on Tangible Net Worth (Per Cent) | Net Profits on Net Working Capital (Per Cent) | Turn-over of Tangible Net Worth (Times) | Turnover of Net Working Capital (Times) | Average Collection Period (Days) | Net Sales to Inventory (Times) | Fixed Assets to Tangible Net Worth (Per Cent) | Current Debt to Tangible Net Worth (Per Cent) | Total Debt to Tangible Net Worth* (Per Cent) | Inventory to Net Working Capital (Per Cent) | Inventory Covered by Current Debt (Per Cent) | Funded Debts to Net Working Capital* (Per Cent) |
|---|--------------------|--|-------------------------------------|--|---|---|---|----------------------------------|--------------------------------|---|---|--|---|--|---|
| MANUFACTURERS | | | | | | | | | | | | | | | |
| Automobile Parts, Accessories . . . | 74 | 3.13 | 4.64 | 11.56 | 25.13 | 2.66 | 5.51 | 39 | 8.2 | 44.64 | 44.30 | 58.8 | 79.5 | 92.9 | 97.80 |
| Building Contractors | 93 | 2.98 | 1.79 | 4.73 | 10.63 | 2.42 | 6.04 | †† | † | 29.32 | 39.20 | 60.7 | † | † | ... |
| Chemicals, Industrial | 32 | 4.31 | 4.08 | 12.00 | 16.80 | 2.93 | 4.10 | 40 | 6.2 | 53.58 | 17.68 | 46.5 | 61.3 | 64.2 | 88.20 |
| Cloaks and Suits, Women's | 109 | 3.35 | 0.38 | 2.94 | 3.42 | 7.82 | 9.03 | 31 | 19.3 | 7.40 | 57.23 | ... | 49.9 | 110.6 | ... |
| Clothing, Children's | | | | | | | | | | | | | | | |
| Dresses and Wash Suits | 29 | 2.70 | 0.85 | 5.38 | 6.64 | 6.35 | 7.86 | 35 | 10.7 | 12.39 | 55.00 | ... | 74.9 | 96.5 | ... |
| Clothing, Men's and Boys' | 280 | 2.83 | 1.28 | 6.37 | 7.32 | 4.96 | 5.80 | 64 | 8.7 | 9.04 | 74.11 | ... | 80.1 | 102.4 | ... |
| Confectionery | 45 | 3.09 | 2.94 | 7.59 | 17.25 | 2.72 | 5.83 | 37 | 11.6 | 51.68 | 24.69 | 64.6 | 75.1 | 84.4 | 100.95 |
| Corsets, Girdles, Brassieres . . . | 36 | 3.19 | 1.64 | 7.30 | 10.36 | 5.22 | 6.82 | 44 | 7.1 | 15.62 | 51.80 | ... | 85.6 | 73.7 | ... |
| Cotton Goods, Converters | 55 | 2.27 | 1.98 | 11.57 | 12.18 | 5.90 | 6.25 | 63 | 7.5 | 2.77 | 83.50 | ... | 86.9 | 89.2 | ... |
| Dresses | 152 | 2.70 | 0.53 | 4.15 | 5.06 | 7.97 | 9.59 | 40 | 22.4 | 9.15 | 73.33 | ... | 55.5 | 142.5 | ... |
| Electrical Parts, Supplies | 36 | 3.56 | 6.55 | 15.84 | 29.36 | 2.40 | 4.40 | 48 | 5.3 | 37.49 | 30.04 | ... | 75.1 | 72.6 | ... |
| Foundries | 73 | 3.33 | 3.78 | 7.89 | 28.74 | 2.09 | 7.59 | 44 | 10.0 | 60.41 | 23.23 | 63.4 | 66.2 | 91.7 | 99.57 |
| Fruit, Vegetable Canners | 36 | 2.69 | 1.66 | 4.70 | 14.97 | 2.78 | 9.06 | 30 | 4.3 | 69.84 | 59.21 | 108.3 | 104.4 | 68.3 | 103.69 |
| Fur Garments | 37 | 2.79 | 1.84 | 9.95 | 11.26 | 5.54 | 6.26 | 48 | 8.7 | 9.01 | 63.56 | ... | 69.0 | 91.1 | ... |
| Furniture | 83 | 3.04 | 2.18 | 6.05 | 10.88 | 2.76 | 4.93 | 59 | 6.4 | 42.74 | 38.76 | 48.5 | 79.2 | 79.9 | 94.43 |
| Hardware, Tools | 48 | 3.78 | 5.08 | 9.57 | 19.73 | 1.87 | 3.84 | 45 | 3.8 | 55.54 | 24.77 | 57.6 | 87.2 | 54.9 | 95.50 |
| Hosiery | 49 | 3.05 | 1.58 | 3.37 | 9.85 | 2.16 | 6.46 | 37 | 9.7 | 59.96 | 30.47 | 57.2 | 82.4 | 82.9 | 104.20 |
| Knitted Outerwear | 78 | 3.36 | 1.18 | 4.23 | 7.69 | 3.80 | 6.15 | 38 | 9.3 | 21.40 | 48.96 | ... | 75.7 | 84.1 | ... |
| Leather Garments | 30 | 3.29 | 0.93 | 4.16 | 5.41 | 4.58 | 5.15 | 45 | 8.7 | 9.06 | 43.05 | ... | 73.4 | 66.3 | ... |
| Leather, Tanners | 34 | 2.71 | 1.95 | 5.49 | 7.00 | 2.82 | 3.83 | 44 | 4.9 | 28.81 | 41.41 | 79.8 | 102.0 | 61.7 | 99.10 |
| Luggage, Leather | 28 | 3.36 | 1.09 | 4.57 | 6.39 | 4.09 | 5.59 | 61 | 7.9 | 14.16 | 48.79 | ... | 66.7 | 81.3 | ... |
| Machinery, Industrial | 309 | 3.93 | 5.39 | 10.25 | 17.70 | 1.89 | 3.20 | 52 | 6.0 | 43.11 | 24.34 | 60.7 | 66.2 | 67.3 | 85.65 |
| Millinery | 28 | 4.19 | 0.83 | 3.99 | 6.13 | 5.08 | 7.21 | 38 | 13.1 | 17.54 | 30.62 | ... | 51.7 | 86.2 | ... |
| Neckwear, Men's | 62 | 2.84 | 1.32 | 5.15 | 6.77 | 3.95 | 4.81 | 62 | 9.5 | 10.05 | 53.97 | ... | 56.0 | 100.2 | ... |
| Paints, Varnishes | 145 | 3.76 | 3.07 | 6.94 | 14.63 | 2.32 | 4.62 | 59 | 8.1 | 43.29 | 22.74 | 69.2 | 66.1 | 77.4 | 89.70 |
| Paper | 37 | 3.18 | 3.43 | 7.79 | 21.40 | 2.24 | 6.35 | 41 | 6.5 | 75.24 | 26.19 | 56.3 | 85.6 | 84.6 | 117.13 |
| Paper Boxes | 39 | 3.50 | 3.46 | 7.78 | 17.24 | 2.30 | 5.03 | 47 | 7.9 | 56.20 | 24.19 | 64.2 | 69.2 | 80.7 | 106.50 |
| Printers, Job | 52 | 3.24 | 2.80 | 6.09 | 15.35 | 2.18 | 5.74 | 56 | † | 47.19 | 23.82 | 57.6 | † | † | 109.60 |
| Publishers of Books | 20 | 4.45 | 1.97 | 3.39 | 4.62 | 1.62 | 2.54 | 79 | 4.9 | 21.18 | 25.34 | ... | 56.6 | 65.3 | ... |
| (Printing done by others) | | | | | | | | | | | | | | | |
| Purses and Handbags, Leather . . | 25 | 3.34 | 1.63 | 13.31 | 17.00 | 8.21 | 10.14 | 38 | 15.7 | 15.33 | 52.50 | ... | 61.2 | 84.0 | ... |
| Shirts, Underwear, and Pajamas, Men's | 76 | 2.68 | 1.56 | 8.30 | 10.01 | 4.98 | 6.07 | 56 | 7.7 | 17.33 | 67.15 | ... | 82.8 | 99.2 | ... |

* This percentage is determined only on those lines of business in which a reasonable number of concerns have outstanding long-term liabilities.

† This line of business carries no merchandise, as such, for current resale.

†† Building contractors have no customary selling terms, each contract being a special job for which payment should be received as per that contract.

he believed prices had been rising too fast, and particularly the prices of steel, copper, and durable goods. But even before this memorable utterance, in fact, as early as the month of February, the price of gray goods seemed to be slipping. Perhaps it would recover within a week or two and then hit a new high. Perhaps! Perhaps it would! Strange as it may seem, however, there was no recovery; the daily quotations kept going lower and lower and still lower. That was fully a month before any noticeable drop had taken place in the stock market.

Then to make the outlook on the world a little more discouraging the monthly sales of our manufacturer of

men's and boys' underwear began to drop, and instead of having his requirements of raw material for five months, he found that he had them for eight months without giving any consideration whatsoever to this one purchase on which he had planned to make his killing. When I talked to him early in September he was a downhearted, disillusioned man. His urge to easy profits had played him false.

In September, three months ago, gray goods was selling at 5½ cents per yard. My friend had a loss of 3¼ cents per yard on 2,200,000 yards, a loss of \$71,500 on raw material which in September he had not even received from the mills, in addition to the fact that

his July 31, 1937, balance sheet showed an excessively large amount of inventory on hand.

Many high-powered chain stores followed a procedure somewhat similar to the unfortunate procedure followed by this successful manufacturer of underwear early in the year, to increase their profits. They placed forward orders for merchandise, orders far in excess of their reasonable needs, believing prices would continue their four-year climb, perhaps for four years more. There seemed to be a failure to recognize the elementary truth that as prices rise, a resistance to sales begins to crystallize. That's a truism in every line of business activity that neither fascism, nor com-

FIGURES FOR SIXTY LINES OF BUSINESS ACTIVITY

| LINE OF BUSINESS | Number of Concerns | Current Assets to Current Debt (Ratio) | Net Profits on Net Sales (Per Cent) | Net Profits on Tangible Net Worth (Per Cent) | Net Profits on Net Working Capital (Per Cent) | Turn-over of Tangible Net Worth (Times) | Turnover of Net Working Capital (Times) | Average Collection Period (Days) | Net Sales to Inventory (Times) | Fixed Assets to Tangible Net Worth (Per Cent) | Current Debt to Tangible Net Worth (Per Cent) | Total Debt to Tangible Net Worth (Per Cent) | Inventory to Net Working Capital (Per Cent) | Inventory Covered by Current Debt (Per Cent) | Funded Debts to Net Working Capital (Per Cent) |
|---|--------------------|--|-------------------------------------|--|---|---|---|----------------------------------|--------------------------------|---|---|---|---|--|--|
| MANUFACTURERS (Continued) | | | | | | | | | | | | | | | |
| Shoes, Women's, Children's.... | 67 | 3.14 | 1.10 | 5.51 | 9.79 | 4.94 | 9.08 | 39 | 10.6 | 27.86 | 55.18 | 66.9 | 78.8 | 85.2 | 88.90 |
| Silk Piece Goods, Converters.... | 46 | 2.83 | 1.19 | 7.05 | 8.40 | 6.38 | 7.11 | 50 | 8.3 | 3.11 | 84.49 | ... | 81.9 | 102.8 | ... |
| Toys, Novelties..... | 24 | 3.84 | 1.76 | 7.23 | 10.09 | 4.08 | 5.76 | 42 | 11.2 | 27.11 | 27.83 | 59.6 | 60.8 | 87.7 | 93.60 |
| Underwear, Women's Silk..... | 97 | 2.52 | 0.84 | 5.09 | 6.72 | 5.88 | 8.04 | 44 | 10.4 | 18.20 | 75.61 | ... | 76.7 | 94.5 | ... |
| WHOLESALEERS | | | | | | | | | | | | | | | |
| Automobile Parts, Accessories.... | 119 | 3.33 | 1.80 | 6.21 | 8.60 | 3.44 | 4.83 | 48 | 5.2 | 17.89 | 48.51 | 89.4 | 94.3 | 67.7 | 93.14 |
| Butter, Eggs, Cheese..... | 46 | 2.76 | 0.47 | 5.10 | 6.40 | 10.39 | 13.87 | 26 | 23.3 | 18.20 | 67.71 | ... | 69.4 | 124.6 | ... |
| Drugs, Drug Sundries..... | 57 | 3.47 | 1.24 | 4.09 | 5.47 | 3.43 | 4.43 | 45 | 6.3 | 12.48 | 51.46 | ... | 84.5 | 68.5 | ... |
| Dry Goods..... | 155 | 2.81 | 2.05 | 8.59 | 10.45 | 4.35 | 5.24 | 65 | 7.3 | 10.12 | 61.05 | ... | 73.3 | 92.7 | ... |
| Electrical Parts, Supplies..... | 63 | 2.36 | 1.68 | 9.02 | 10.22 | 5.31 | 6.22 | 55 | 8.1 | 11.08 | 82.05 | 77.4 | 82.6 | 105.6 | 98.10 |
| Fruits and Produce, Fresh..... | 29 | 2.66 | 0.76 | 6.88 | 10.88 | 9.00 | 14.17 | 25 | 26.0 | 30.81 | 50.13 | ... | 56.3 | 155.7 | ... |
| Furs, Skins..... | 27 | 3.23 | 2.36 | 12.24 | 12.83 | 4.05 | 4.57 | 64 | 10.5 | 1.73 | 68.54 | ... | 49.7 | 96.4 | ... |
| Groceries..... | 161 | 3.12 | 0.92 | 6.26 | 7.94 | 6.79 | 8.54 | 31 | 8.6 | 18.22 | 55.31 | ... | 102.9 | 62.1 | ... |
| Hardware..... | 109 | 3.53 | 2.68 | 7.40 | 9.38 | 2.78 | 3.42 | 53 | 3.9 | 16.75 | 39.81 | ... | 85.2 | 60.5 | ... |
| Hosiery..... | 38 | 3.60 | 0.98 | 4.30 | 5.34 | 4.13 | 5.28 | 56 | 8.2 | 3.55 | 45.99 | ... | 60.5 | 73.4 | ... |
| Knitted Outerwear..... | 24 | 3.45 | 1.59 | 8.81 | 9.82 | 5.55 | 6.16 | 54 | 8.8 | 2.36 | 44.81 | ... | 53.7 | 84.1 | ... |
| Lumber..... | 92 | 3.17 | 1.12 | 3.93 | 6.36 | 3.49 | 5.64 | 63 | 6.2 | 24.69 | 35.99 | 72.4 | 71.2 | 85.4 | 97.55 |
| Paper..... | 113 | 3.04 | 1.22 | 6.05 | 7.12 | 5.02 | 5.89 | 55 | 7.1 | 12.20 | 54.12 | 80.5 | 81.8 | 95.5 | 81.50 |
| Plumbing, Heating Supplies..... | 68 | 3.06 | 1.36 | 5.57 | 7.57 | 3.90 | 5.80 | 53 | 5.8 | 26.71 | 58.80 | 64.4 | 91.8 | 81.1 | 85.72 |
| Shoes, Men's and Women's..... | 42 | 3.54 | 1.67 | 6.24 | 7.20 | 3.70 | 4.53 | 55 | 6.2 | 11.61 | 39.37 | ... | 69.6 | 59.3 | ... |
| Shoes, Women's and Children's..... | 34 | 4.01 | 1.71 | 6.88 | 8.58 | 3.96 | 4.67 | 52 | 8.1 | 5.12 | 45.91 | ... | 58.4 | 77.0 | ... |
| Women's Wear, Coats, Suits and Dresses..... | 36 | 3.15 | 0.87 | 6.89 | 8.28 | 8.11 | 9.60 | 51 | 18.9 | 7.97 | 58.90 | ... | 30.9 | 131.9 | ... |
| Woolen, Worsted Piece Goods..... | 51 | 2.55 | 1.36 | 6.89 | 7.87 | 4.06 | 4.35 | 57 | 6.9 | 4.07 | 97.03 | ... | 84.8 | 114.3 | ... |
| RETAILERS | | | | | | | | | | | | | | | |
| Clothing, Installment..... | 46 | 3.83 | 3.42 | 6.88 | 7.80 | 2.03 | 2.29 | 172 | 7.4 | 10.03 | 26.54 | ... | 27.9 | 107.1 | ... |
| Clothing, Men's and Boys'..... | 78 | 2.90 | 3.65 | 11.01 | 16.75 | 3.05 | 4.46 | †† | 3.9 | 22.05 | 42.32 | 60.7 | 102.5 | 55.9 | 92.61 |
| Department Stores..... | 240 | 3.31 | 2.66 | 7.80 | 12.88 | 2.82 | 5.03 | †† | 6.0 | 42.95 | 36.88 | 73.1 | 82.8 | 71.6 | 95.30 |
| Furniture, Installment..... | 128 | 3.90 | 5.41 | 10.01 | 11.75 | 1.81 | 2.12 | 214 | 6.2 | 19.80 | 41.75 | 94.9 | 37.8 | 117.5 | 82.18 |
| Lumber..... | 76 | 3.26 | 2.94 | 5.13 | 9.90 | 1.74 | 3.42 | 87 | 4.7 | 40.99 | 34.24 | 79.5 | 78.9 | 84.0 | 96.89 |
| Shoes, Men's and Women's..... | 29 | 3.15 | 2.53 | 8.06 | 12.63 | 3.15 | 5.05 | †† | 3.6 | 21.38 | 37.63 | ... | 115.0 | 40.9 | ... |
| Women's Specialty Shops..... | 151 | 3.02 | 3.12 | 10.61 | 19.49 | 3.36 | 6.35 | †† | 9.6 | 29.65 | 43.04 | 75.9 | 70.4 | 101.2 | 98.09 |

* This percentage is determined only on those lines of business in which a reasonable number of concerns have outstanding long-term liabilities.

† Part of the annual sales in this line are for cash and part are on charge account. To obtain an average collection period for 1936, it would have been necessary to deduct the amount of cash sales from the annual net sales and then to determine the average number of days which the accounts and notes receivable were outstanding based upon the resultant yearly charge sales. This information was available in too few cases to obtain an average collection period which could be used as a broad guide.

munism, nor capitalism is able to overcome.

The retail meat shops in recent months stumbled on that one simple fact. With the substantial rise in the price of meats, the housewife bought less steak and less roast beef. Lower-priced substitutes came to the rescue of the buyer. Where inventories were already heavy, it was no unique procedure for certain chain stores to request mills to defer delivery, and if a mill should lack the ready resources to carry the merchandise for their large customers, they have been known to receive gratuitous advice about borrowing on warehouse receipts. And, in fact, some chain stores went one step farther, insisting upon the cancellation of unfavorable contracts or rewriting them so that the manufacturer with a small enterprise, had to assume the loss on the tacit threat that otherwise he would receive no business in the future.

All of this emphasizes the fact that inventories were abnormally high at the end of 1936, that they continued high as a result of wide forward speculative buying which took place in the early part of the year, that managements decline to learn even from bitter experience that it is not a sound healthy business policy to purchase more merchandise than is legitimately needed, and that the current moderate recession in certain lines of business in recent months has been brought about at least partially by this buying spree which can only be worked off by the liquidation of heavy inventories purchased at prices above those which prevail in the current spot markets.

Liabilities

As inventories go up, liabilities also expand. There is a natural sympathetic relationship between these two items. During a period of increasing sales volume such as took place in 1936, receivables grow and that process in turn necessitates even heavier liabilities: accounts payable, or notes payable, or both. So we find that the trend of the

ratio of "current debt to tangible net worth" went upward during 1936 at a rate somewhat faster than the ratio of "net working capital represented by inventory."

Of our 60 lines, 42 showed percentages of "current debt to tangible net worth" which were the greatest in six years. In every line except nine, the percentage was greater than as of the year-end of 1935. And liabilities, with the exception of those of sovereign governments, must always be paid unless a concern becomes financially insolvent.

Lighter Load

Six of the seven retail lines also showed this same tendency. The difference, however, between the average 1935 year-end ratios and the average 1936 year-end ratios of "current debt to tangible net worth" in these six retail lines was much smaller than in the manufacturing and wholesale lines of activity. Apparently the inventories and liabilities of retail distributors went up at a much slower rate due to two factors: (1) some portion of sales are made on a cash basis and (2) wholesale prices of finished merchandise fluctuate less rapidly than the wholesale prices of raw or semi-manufactured products.

In Santa Eulalia on the island of Ibiza, accountants' reports, balance sheets, operating schedules, budgets, and important balance sheet and operating ratios would have carried no passing significance. Such instruments of a highly organized and developed competitive credit economy would have been as unique of the very recent times of which Elliott Paul wrote and which were described in the November number of *DUN'S REVIEW*, as the calmness of Ibizinco life would have seemed to a New York policeman during the festivities of the American Legion Convention.

But just as fraudulent fires and fraudulent failures are a manifestation of one small sector of our present-day business life, so the fourteen important ratios and an understanding of their yearly trends are manifestations of a

much larger and a much more important sector in which all of us play our parts as members of the operating staff, laborers, or owners of real property or securities from which we draw our incomes.

In our more highly developed competitive economy, which Walter Lippmann in his recent contemplation of *The Good Society* characterizes as a part of the revolution which still engages the whole of mankind, and which he continually emphasizes as arising "primarily from the increasing division of labor in ever-widening markets"—in this economy, bookkeeping methods, accounting procedures, and the annual rendering of accounts of business units, have reached a stage of acknowledged unprecedented authority. Every policy of the operating management of a business enterprise is reflected in its books of record and then, in turn, in the balance sheets or the profit and loss accounts. If the figures of a concern which was being operated for a sudden, unexpected failure could be obtained, they would always show heavy inventories and correspondingly excessive liabilities. The real financial showing of such a business, however, is never placed on record prior to its painful demise, most painful of all to creditors who failed to make even a casual passing credit investigation.

Guideposts

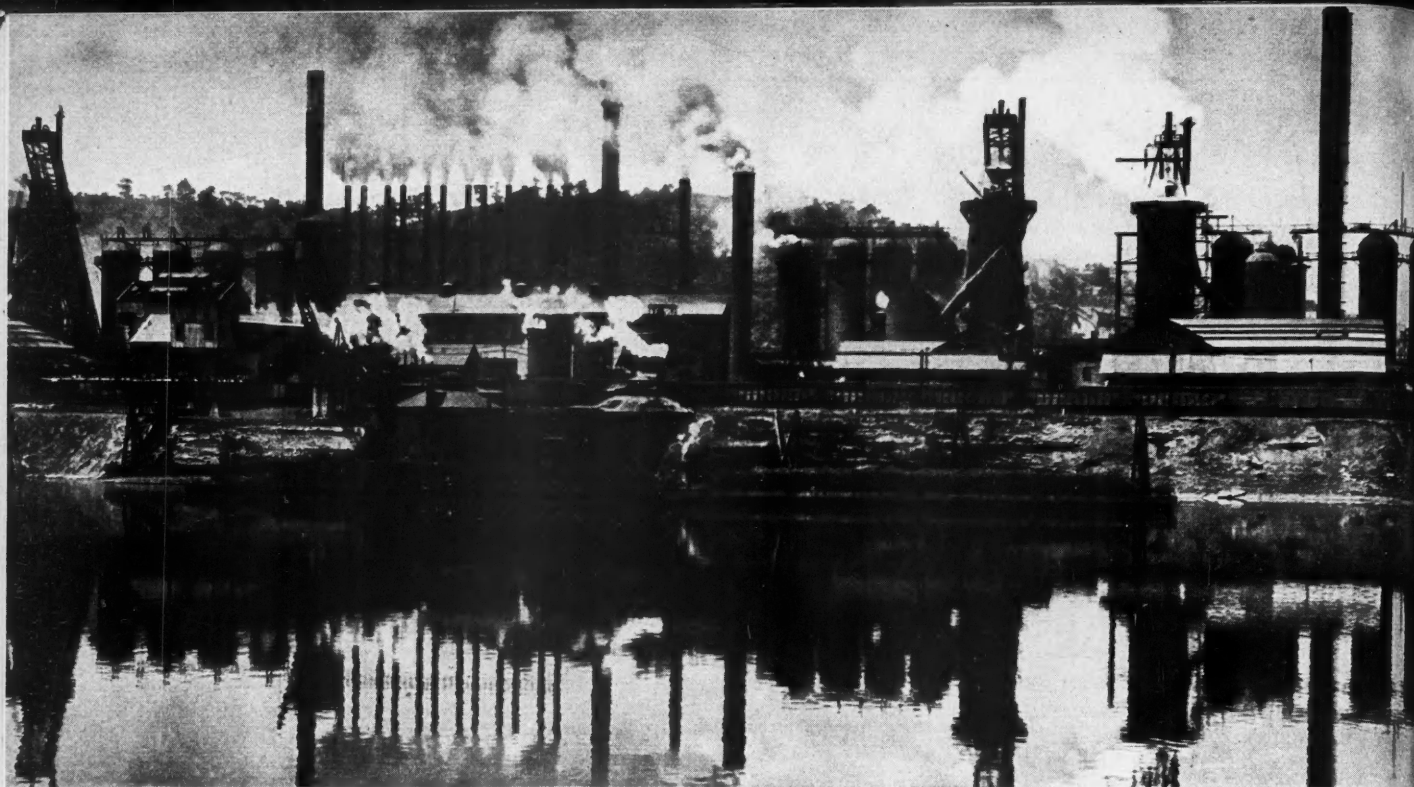
On the other hand, the healthy proportions of the figures of the hundreds of thousands of legitimate business enterprises which are fighting for their share of profitable yearly business on common ground, are essential for continued progress and for continued success. It is into these proportions that every policy of the operating management immediately finds its way, just as sugar is immediately taken into the blood stream, and consequently is disclosed by the healthy or the unhealthy relationships of some one or several of the fourteen important ratios characteristic of financial responsibility or irresponsibility.

THE BUSINESS DIARY OCTOBER · 1937



Tumbling stock market gives business a bad attack of the jitters. . . . AF of L and CIO conventions dominate labor news. . . . Spanish rebels and Japanese reported as gaining. . . . Franc continues a disturbing factor in financial circles. . . . Football again is headline news.

- 1 FRANK R. McNinch takes oath as Chairman of FCC, resigning temporarily as FPC Chairman. SEC over-the-counter rules become effective. Justice Black answers Klan charges in radio speech.
- 2 FRANC reaches new eleven-year low.
- 3 RAILROADS agree on new wage schedule, retroactive to October 1.
- 4 SUPREME COURT convenes new session; Justice Black takes seat. Government's anti-trust suit against nation's major oil companies opens in Madison, Wis.
- 5 PRESIDENT's speech urging "concerted effort" for peace creates stir at home and abroad. League of Nations' Far Eastern Advisory Committee "expresses its moral support for China."
- 6 INCOME Tax Treaty with Canada proclaimed by President. United States Department of State condemns Japanese invasion of China. Far Eastern Advisory Committee calls Nine-Power Conference to seek settlement of Sino-Japanese conflict.
- 7 SECRETARY HULL reveals United States will join Nine-Power parley.
- 8 PRESIDENT returns to Washington after Pacific Northwest tour.
- 11 SUPREME COURT rejects petitions challenging right of Justice Black to assume office. AF of L votes to expel CIO unions. Ogden L. Mills dies. Yankees defeat Giants in World Series.
- 12 PRESIDENT in "fireside chat" announces special session of Congress for November 15 to act on wages, hours, and crop control, and to curb trusts.
- 13 SEC announces amendment to rules under Public Utility Holding Company Act extending to January 1, 1939, the period financiers may continue as officers or directors of registered holding companies.
- 14 GREEN re-elected president of AF of L.
- 18 STOCK market suffers most severe collapse in six years. Supreme Court denies review of lower court decision regarding right of SEC to subpoena telegrams incident to official inquiries. President's budget statement asserts no further commitments for loans will be made by PWA and RFC.
- 21 JAMES ROOSEVELT named co-ordinator of executive activities of eighteen largest independent and emergency Government agencies. Spanish insurgents capture Gijon, gaining control of northwest Spain.
- 22 ICC authorizes freight rate increase for Class I railroads. Maritime Commission signs contract for "safest" liner.
- 23 WAVE of selling again depresses stock prices. ICC approves coach fare rise for Southeastern railroads.
- 25 AF of L and CIO open "peace" parley in Washington. Supreme Court denies rehearing on Commodity Exchange Act. Market recovers somewhat.
- 26 DR. HJALMAR SCHACHT's resignation as Reich Minister of Economics reported accepted.
- 27 FEDERAL RESERVE BOARD announces reduction to 40 per cent in margin requirements on security purchases of stock margins, 50 per cent on shorts, effective November 1. Japan rejects invitation to Nine-Power Conference.



THE TREND OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

No signs of a slowing up in the industrial recession have appeared, although the tendency to bring production levels quickly in line with current demand is encouraging. Trade declines have become more general throughout the country; total volume remained above last year through October. Stock prices continued lower in November, displaying some evidence of a reduced rate of decline.

BUSINESS indicators for October and November reveal no halt in the present recession. With "sentiment" so fundamental an element in the decline, appraisal of the present situation is difficult. It is possible to line the favorable components against the unfavorable—the increased agri-

cultural income, the high purchasing power of factory wages, the replacement needs of utilities and railroads, the housing shortage, and the healthy credit situation, against uncertainties in the labor situation, the substantial inventories in some lines, the dearth of new investment—but the weight of psychological factors, fear or confidence in the future, is perhaps the determining element.

Despite the continued downward trend, the most recent developments offer some basis for optimism. The feeling among business men that there has been a change in the Government's attitude toward business is one of the encouraging signs. Wage rates continue relatively rigid, but costs and

prices have been brought in closer alignment by declines in raw material prices and economies in operation. Insofar as the present recession in industrial activity is the result of heavy forward buying made late in 1936 and early in 1937, a material improvement in the situation should grow out of the recent sharp curtailments in production schedules, and the cautious buying now evident in both industry and trade.

Since August the index of industrial activity has dropped off 14 points. Steel production has suffered the most precipitous decline on record. Measured in per cent of capacity, it has fallen 53 points in 12 weeks. For the week ending November 27, it is scheduled at 31 per cent of capacity, the lowest rate since December, 1934.

Industrial Production

Federal Reserve Board Adjusted Index
1923-1925 = 100

| | 1934 | 1935 | 1936 | 1937 |
|-----------|------|------|------|------|
| January | 78 | 90 | 97 | 114 |
| February | 81 | 90 | 94 | 100 |
| March | 84 | 88 | 93 | 118 |
| April | 86 | 86 | 100 | 118 |
| May | 86 | 86 | 101 | 118 |
| June | 84 | 87 | 102 | 114 |
| July | 76 | 86 | 108 | 114 |
| August | 73 | 88 | 108 | 117 |
| September | 71 | 90 | 109 | 111 |
| October | 70 | 95 | 110 | 103* |
| November | 70 | 96 | 114 | ... |
| December | 80 | 101 | 121 | ... |

* Preliminary.

Factory Payrolls

U.S.B.L.S. Index—1923-1925 = 100

| | 1934 | 1935 | 1936 | 1937 |
|-----------|------|------|------|--------|
| January | 54.6 | 65.0 | 73.8 | 90.2 |
| February | 61.3 | 70.0 | 73.7 | 95.8 |
| March | 65.6 | 71.7 | 77.6 | 101.1 |
| April | 68.1 | 71.7 | 79.3 | 104.9 |
| May | 68.1 | 69.4 | 80.7 | 105.2 |
| June | 66.0 | 67.4 | 80.1 | 102.9 |
| July | 61.4 | 66.5 | 80.2 | 100.4 |
| August | 63.2 | 71.0 | 83.5 | 103.8 |
| September | 61.1 | 73.1 | 83.6 | 100.1 |
| October | 62.2 | 76.4 | 89.0 | 100.2* |
| November | 60.7 | 75.6 | 90.7 | ... |
| December | 64.2 | 77.6 | 95.2 | ... |

* Preliminary.

Cotton mill activity has continued to drop from week to week: in September it was at 124.1 per cent of capacity, in October at 111.1 per cent, compared with 123.9 per cent in the corresponding month of 1936. Electric power production maintained its 5 per cent gain over last year through the fourth week of October, but by the week ending November 27 contra-seasonal declines had carried the index 3.2 per cent below 1936, the first drop below the corresponding week a year ago since 1934.

Automobile retail sales were reported substantially ahead of last year in October and the first part of November, but production declined against a seasonal trend, and in the second week of November fell below the corresponding week of last year. Reduced schedules were also in force in lumber, and shoe industries. Meat packing rose more than seasonally from September to October, but was below last October by 18 per cent. Machine tool

income. Steady price declines have carried this total below earlier expectations. Nevertheless, according to present estimates cash income for 1937 will be \$9,000,000,000, 14 per cent above 1936 and the largest since 1929.

The maintenance of a good volume of retail trade during recent months, despite the sharp decline in industry and in security prices, has been chiefly a reflection of these relatively high levels of agricultural income and factory wages. Although consumer spending has tended to level off, some margin of gain over the previous year was maintained through October. The department store sales index for the

last September, but net earnings were down 8 per cent. During October only 21 new freight cars were ordered, compared with a monthly average of 7,500 in the first half of the year. Carloadings continued steadily downward from the peak of the first week in October: in the week ending Novem-

Industrial Stock Prices

| Dow-Jones Index (Weekly Average) | | | | |
|----------------------------------|-----------|------------|-----------|-----------|
| Week | Aug. 1937 | Sept. 1937 | Oct. 1937 | Nov. 1937 |
| I | 186.20 | 173.99 | 153.74 | 129.82 |
| II | 187.89 | 162.41 | 146.33 | 129.69 |
| III | 186.23 | 161.41 | 137.06 | 124.80 |
| IV | 179.39 | 153.07 | 135.34 | |
| V | | | 135.22 | |

Wholesale Commodity Prices

| U.S.B.L.S. Index—1926 = 100 | | | | |
|-----------------------------|-----------|------------|-----------|-----------|
| Week | Aug. 1937 | Sept. 1937 | Oct. 1937 | Nov. 1937 |
| I | 87.4 | 86.4 | 86.9 | 83.8 |
| II | 87.5 | 86.6 | 86.0 | 83.2 |
| III | 87.3 | 87.4 | 85.2 | 82.9 |
| IV | 86.5 | 87.5 | 84.9 | |
| V | | | 84.0 | |

ber 20 they were 18 per cent below 1936, 0.1 per cent below 1935.

Exports in September were 35 per cent above last year; imports 8 per cent above, although down slightly from August. Large gains in shipments of agricultural products were chiefly instrumental in reducing the net import balance from \$112,000,000 in August to \$48,000,000 in September.

Stock prices turned upward in the second week of November, led by public utility shares which took confidence from indications of a more conciliatory attitude in Washington. Industrial stock prices continued weak through the third week of the month, but lost only 4 per cent, in comparison with a 12 per cent decrease during October. Capital issues in October were slightly above August totals but otherwise the lowest since February, 1935.

In financial markets, the supply of money continued abundant and at cheap rates. Total business loans, however, remained at little more than half the volume of the late 1920s. Loans to brokers were only \$865,000,000, (week ending November 17) compared to a range of \$2,000,000,000 to \$3,000,000,000 from 1926 to 1930, and of \$800,000,000 to \$1,400,000,000 since the middle of 1933. Through the third week of the month there was no sign of the expected seasonal rise in the amount of money in circulation.

Department Store Sales

Federal Reserve Board Adjusted Index
1923-1925 = 100

| | 1934 | 1935 | 1936 | 1937 |
|-----------|------|------|------|------|
| January | 73 | 76 | 81 | 93 |
| February | 73 | 77 | 83 | 93 |
| March | 76 | 79 | 84 | 93 |
| April | 76 | 75 | 87 | 93 |
| May | 75 | 74 | 87 | 93 |
| June | 73 | 79 | 87 | 93 |
| July | 73 | 80 | 91 | 94 |
| August | 76 | 86 | 86 | 92 |
| September | 74 | 88 | 88 | 94 |
| October | 75 | 88 | 90 | 93* |
| November | 75 | 82 | 94 | .. |
| December | 77 | 83 | 92 | .. |

* Preliminary.

orders fell off 28 per cent from September to October, touching the lowest point since last November.

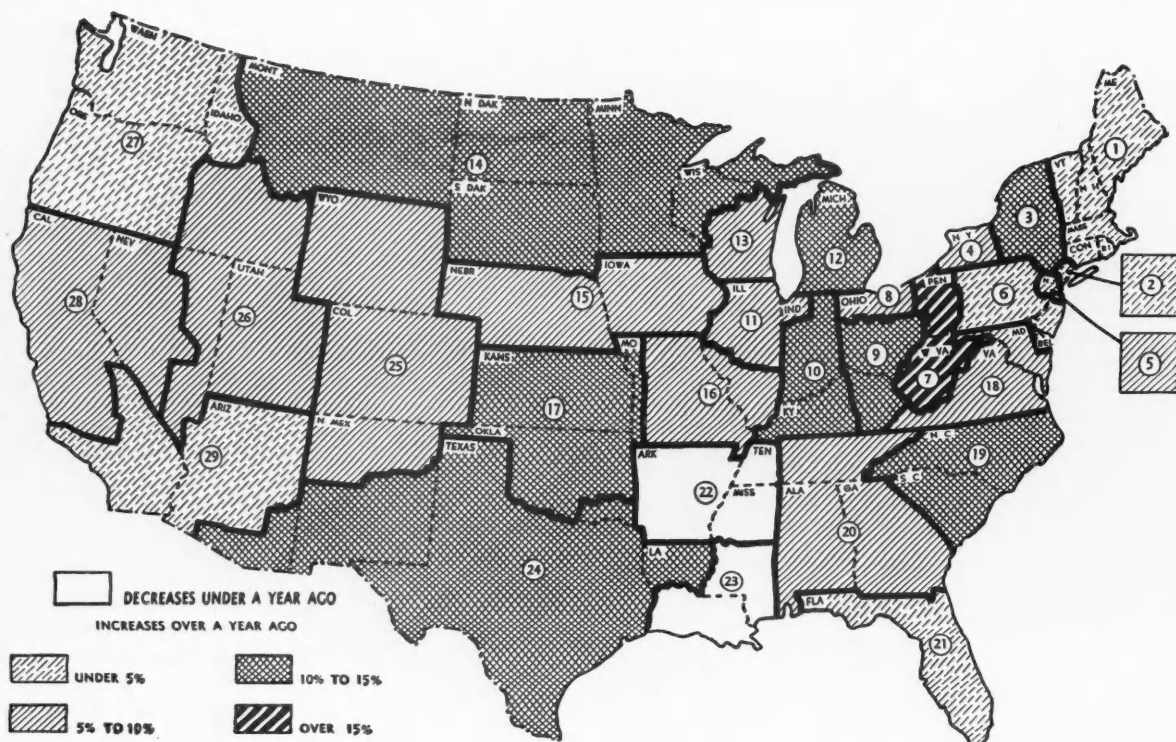
Reflecting the sharp recession in industrial activity, the index of factory employment dropped from 102.1 in September to 100.4 in October. In the same period the index of factory payrolls rose fractionally, due mainly to the seasonal upturn in automobile output. At 100.2 per cent of its 1923-1925 average, it is one of the lowest monthly indexes of the year, but otherwise has been unequalled in any month since 1929.

Associated with wage levels as a measure of consumer buying power is farm

month was 3.3 per cent above last October; DUN'S REVIEW's trade barometer 2.5 per cent. A more detailed discussion of trade conditions through the middle of November will be found in the pages immediately following.

The declining trend in wholesale commodity prices since the peak in April has brought the index down to 1936 levels. In the fourth week of November it was 82.0, 0.5 per cent below the corresponding week of last year. Retail prices in October were beginning to reflect the downward course of wholesale markets; Fairchild's index dropped 0.6 per cent from September. The N.I.C.B. cost of living index rose 0.1 per cent during the same period, despite a sharp drop in food prices; housing and sundries were mainly responsible for the increase. Since last October this index has advanced 4.4 per cent, the housing item alone 10 per cent.

Railroad net income continued to reflect the maladjustment in costs and rates. September gross revenues of Class 1 roads were 2 per cent above



TRADE RECESSION CONTINUES

Two months' decline from August levels brought the United States barometer of consumer spending to the lowest point since last October. Trade Barometers for the United States and 29 regions are prepared by L. D. H. Weld, Director of Research of McCann-Erickson, Inc.

THOUGH still above 1936 volume by a fair margin, consumer spending during September was at the lowest level of the year. The trade barometer for the United States (adjusted for both business days and seasonal factors) dropped off from 96.3 in August to 93.8 in September. The extension of the decline into October brought the index to 90.3 (preliminary), which was only 2.5 per cent above the level of last October, the smallest advance over the previous year since the beginning of the upturn in 1933.

Comparisons with 1936 levels reveal not only a further narrowing of gains over last year but also the probability of unfavorable comparisons for the last two months of the year. November and December 1936 were record months in consumer buying even after allowance for the normal seasonal peak—in fact, only one month of 1937 has so far succeeded in equalling or exceeding the December index,—and the trade index in November would have to be 8 per

cent larger than it was in October even to touch levels made last November. Reports from DUN & BRADSTREET branch offices for the first half of November, however, do not indicate any marked upturn in trade despite more favorable weather conditions in many sections: curtailment in industrial employment and payrolls and spread of the attitude of uncertainty have begun to exert a depressing influence on consumer purchasing.

The Florida index in September was again the highest in the country, although it sustained one of the largest losses from August levels. Only 8 of the 29 regional barometers moved upward from August to September and in all cases these increases were moderate, the largest being in the jump from 85.1 to 89.5 in the Iowa-Nebraska index.

All but two of the regional indexes in September remained above their 1936 comparatives. Increases ranged from a fraction of a per cent in the New England and

Philadelphia regions to 16 per cent in Pittsburgh, with the large majority in the less-than-10 per cent class.

Declines from 1936 levels were concentrated in the two regions of the lower Mississippi: the index for the Memphis region was 5.3 per cent below last September; the New Orleans barometer was down 10.4 per cent. Both were above the general average for the country, however, and the large 12-month decrease in the New Orleans index is largely due to its comparison with an abnormal month in 1936. Heavy buying in anticipation of State and city luxury taxes made last September a peak month in retail trade in this region.

Approximately half of the 150 reports on October trade received from DUN & BRADSTREET offices disclose a drop in volume from the previous year. Important in the decline is the fact that this October had one less shopping day than last. Unseasonable weather, high prices, current reductions in wages and relief rolls, and continued disputes among labor factions are cited as additional factors contributing to the recession.

THE MAP AND TABLE compare the September, 1937, indexes with those for the same month a year ago. In the column at the extreme right of the table there is indicated the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

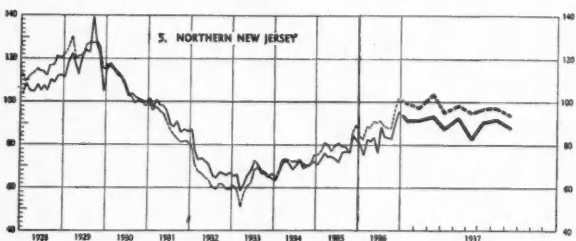
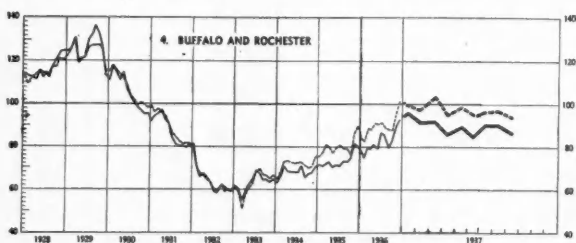
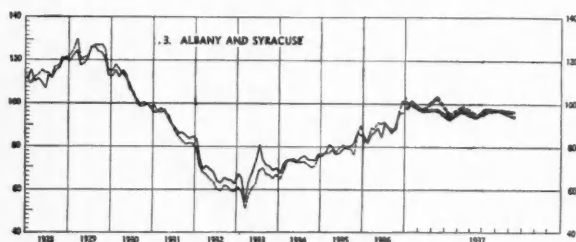
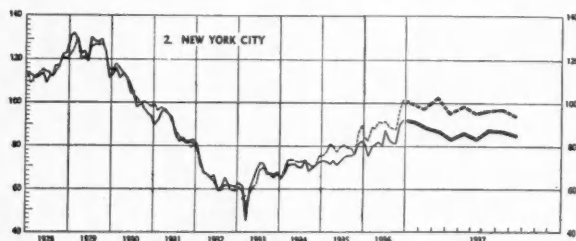
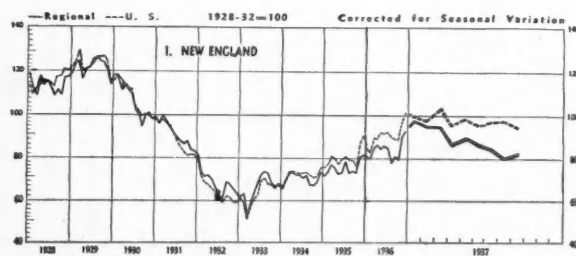
THE INDEXES for the regions (charted, with U. S., from 1928, on pages 30-34; five months' figures on page 34) are composites based on: bank debits (Federal Reserve Board), department store sales (Federal Reserve Board), new car registrations (R. L. Polk & Company), and life insurance sales (Life Insurance Sales Research Bureau). In regions 2, 3, 4, 5, and 14, wholesale sales (Federal Reserve Board), and in region 2, advertising linage (*Editor and Publisher*), which were found to make those indexes more accurate, are included. In region 15, department store sales have been omitted. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The monthly average for the five years 1928-1932 equals 100.

THE PARAGRAPHS printed opposite the 29 regional charts quote figures for September based on samples of department and retail stores reporting to the Federal Reserve banks; for October and November based on opinions and comments of business men in various lines of trade, gathered and weighed by the local DUN & BRADSTREET offices in making up their estimates.



REGIONAL TRADE BAROMETERS

| REGION | September 1937 Regional Index | September 1937 Compared with September 1936 (%) | | | | | (% of Retail 1935 Sales) |
|---------------------------------|-------------------------------|---|---|-----|-----|-------|--------------------------|
| | | -10 | 0 | +10 | +20 | +30 | |
| U. S. | 93.8 | | | | | + 6.2 | 100.0 |
| 1. NEW ENGLAND | 81.4 | | | | | + 0.4 | 7.8 |
| 2. NEW YORK CITY | 84.2 | | | | | + 3.4 | 10.3 |
| 3. ALBANY AND SYRACUSE | 95.2 | | | | | +10.6 | 2.6 |
| 4. BUFFALO AND ROCHESTER | 85.7 | | | | | + 7.3 | 1.9 |
| 5. NORTHERN NEW JERSEY | 87.6 | | | | | + 5.0 | 2.9 |
| 6. PHILADELPHIA | 87.6 | | | | | + 0.6 | 6.2 |
| 7. PITTSBURGH | 99.7 | | | | | +16.1 | 3.7 |
| 8. CLEVELAND | 104.0 | | | | | + 8.7 | 2.9 |
| 9. CINCINNATI AND COLUMBUS | 110.1 | | | | | +11.2 | 3.1 |
| 10. INDIANAPOLIS AND LOUISVILLE | 109.3 | | | | | +13.3 | 2.6 |
| 11. CHICAGO | 91.9 | | | | | + 5.0 | 6.4 |
| 12. DETROIT | 110.3 | | | | | +13.7 | 4.0 |
| 13. MILWAUKEE | 100.0 | | | | | + 7.2 | 2.2 |
| 14. MINNEAPOLIS AND ST. PAUL | 100.3 | | | | | +10.3 | 4.5 |
| 15. IOWA AND NEBRASKA | 89.5 | | | | | + 7.6 | 3.0 |
| 16. ST. LOUIS | 90.3 | | | | | + 7.5 | 2.5 |
| 17. KANSAS CITY | 97.1 | | | | | +11.5 | 3.6 |
| 18. MARYLAND AND VIRGINIA | 108.1 | | | | | + 6.0 | 3.8 |
| 19. NORTH AND SOUTH CAROLINA | 110.5 | | | | | +10.0 | 2.1 |
| 20. ATLANTA AND BIRMINGHAM | 109.6 | | | | | + 9.5 | 3.5 |
| 21. FLORIDA | 114.7 | | | | | + 2.5 | 1.3 |
| 22. MEMPHIS | 98.3 | | | | | - 5.3 | 1.5 |
| 23. NEW ORLEANS | 104.4 | | | | | -10.4 | 1.0 |
| 24. TEXAS | 114.6 | | | | | +11.0 | 4.5 |
| 25. DENVER | 108.3 | | | | | + 6.1 | 1.3 |
| 26. SALT LAKE CITY | 100.4 | | | | | + 5.6 | .8 |
| 27. PORTLAND AND SEATTLE | 96.1 | | | | | + 2.9 | 2.7 |
| 28. SAN FRANCISCO | 95.1 | | | | | + 5.9 | 3.4 |
| 29. LOS ANGELES | 94.1 | | | | | + 2.8 | 3.9 |



REGION 1: SEPT., 81.4 AUG., 80.0 SEPT. 1936, 81.1
 SEPTEMBER—Percentage department store sales changes from last September: Boston —3, Providence +4, New Haven +7. OCTOBER—Percentage retail trade changes from last October: Bangor +5, Portland —5, Boston —2, New Bedford +4, Springfield —10, Worcester +1, Providence +3, Hartford —5, New Haven +5. Wholesale trade changes: Portland 0, Boston —5, Springfield —10. Apple crop best in years; potato prices higher but still below production costs. Payrolls above last year in New Haven, Boston, and Worcester; lower elsewhere. Manufacturing and sales slowing down, but still at last year's levels in Boston, Worcester, Bangor, and New Haven. Collections prompter than last year in New Haven; steady elsewhere. NOVEMBER—Industrial slackening continued. Mild weather affecting retail sales.

REGION 2: SEPT., 84.2 AUG., 86.2 SEPT. 1936, 81.4
 SEPTEMBER—Percentage department store sales increases over last September: New York City 6, Bridgeport 10, Westchester-Stamford 9. OCTOBER—Percentage retail trade changes from previous October: Bridgeport +5, New York City parcel deliveries +5, hotel sales +2, department store sales —2. Volume of New York City building permits almost double last October; increase due mainly to college, prison, and court-house construction. Employment 0.1% above September, payrolls up 0.8%. NOVEMBER—Department store sales about 5% below 1936. Trade slow in wholesale wearing apparel and textile lines. Paper production down since September; current volume below last year. Industrial equipment orders off.

REGION 3: SEPT., 95.2 AUG., 96.3 SEPT. 1936, 86.1
 SEPTEMBER—Percentage department store sales increases over last September: Syracuse 11, Niagara 6. OCTOBER—Percentage retail trade changes from last October: Albany —10, Binghamton —7, Gloversville —10, Utica —5, Syracuse +8. Wholesale trade changes: Albany —10, Syracuse +8. Dairy farm income above last year. Payrolls and production above year ago in Syracuse; down elsewhere. Short schedules in shoe, knit goods, glove and leather factories. Other industries active. Collections prompter than last year in Syracuse; slower in Gloversville; steady elsewhere. NOVEMBER—Curtailed factory schedules affecting retail trade. Wholesale business up seasonally but still below expectations.

REGION 4: SEPT., 85.7 AUG., 89.5 SEPT. 1936, 79.9
 SEPTEMBER—Percentage department store sales increases over last September: Buffalo 4, Rochester 10. OCTOBER—Percentage retail trade changes from previous October: Buffalo +4, Jamestown +2, Rochester —3. Buffalo wholesale trade 4% above last year. Farm incomes up 10 to 20% over year ago. Payrolls and production above last year in Buffalo and Jamestown; down in Elmira and Rochester. Buffalo outdoor employment at high peak; consumer lines steady; durable goods down. Niagara area much improved over year ago. Collections prompter than last year in Jamestown; slower in Elmira; steady elsewhere. NOVEMBER—Buffalo retail trade 3% above year ago. Declining production reflected in drop in power sales.

REGION 5: SEPT., 87.6 AUG., 91.0* SEPT. 1936, 83.4
 SEPTEMBER—Northern New Jersey department store sales 3% above previous September. OCTOBER—Newark retail trade volume 3% above previous October. Wholesale trade unchanged. Production and payrolls about even with last year and last month; upswing in automotive and some textile and hardware lines counterbalanced by decline in building and electric industries. Newark building permits 10% below September. Sales of some of the large electric power machinery companies about 50% below last October. Collections prompter than last year in wholesale trade; steady in other lines. NOVEMBER—Retail trade holding above last year's levels; sales in clothing lines stimulated by cooler weather. * Revised.

REGION 6: SEPT., 87.6 AUG., 93.3 SEPT. 1936, 87.1*
 SEPTEMBER—Percentage retail trade changes from previous September: Philadelphia +5, Scranton —1, Wilmington +8. OCTOBER—Percentage retail trade changes from last October: Trenton +18, Allentown +1, Philadelphia +2, Reading +7, Scranton +5, Wilkes-Barre +5, Harrisburg +5, Lancaster +10, York +4, Wilmington —5, Johnstown —10. Philadelphia wholesale trade 3% above last year. Apparel lines affected by warm weather and rain. Payrolls and production above last year in Trenton and Harrisburg; down in Allentown, Williamsport, Wilmington, Johnstown, Lancaster, steady elsewhere. Collections prompter than last year in Trenton and York; slower in Allentown; steady elsewhere. NOVEMBER—Philadelphia retail trade above 1936 in most lines. Wholesale trade spotty. * Revised.

REGION 7: SEPT., 99.7 AUG., 104.2 SEPT. 1936, 85.9
 SEPTEMBER—Percentage department store sales increases over previous September: Youngstown 23, Pittsburgh 18, Wheeling 17. Bank debits up 19%, largest increase in any region. OCTOBER—Percentage retail trade changes from previous October: Erie +2, Youngstown -10, Pittsburgh +7, Clarksburg +5, Charleston +5, Huntington +5. Wholesale trade increases: Erie 3, Pittsburgh 7, Charleston 5. Payrolls and production above last year in Bluefield and Clarksburg; steady in Charleston and Erie; down elsewhere. Steel production down from 85 to 42% of capacity during the month. Collections prompter than last year in Bluefield; steady in Charleston, Erie, Huntington; slower elsewhere. NOVEMBER—Pittsburgh retail trade barely even with last year. Slight upturn in steel operations in third week.

REGION 8: SEPT., 104.0 AUG., 105.8 SEPT. 1936, 95.7
 SEPTEMBER—Percentage department store sales increases over previous September: Cleveland 14, Akron 1, Toledo 7. OCTOBER—Percentage retail trade changes from previous October: Cleveland +10, Akron -5, Canton -20, Toledo 0. Wholesale trade changes: Cleveland +10, Akron -3, Toledo +10. Cleveland retail trade benefited by two conventions; new car sales best of any corresponding month since 1929. Payrolls and production at last year's level in Toledo; below elsewhere. Cleveland steel production at 64% of capacity, compared to 67% in September, and 80% last October. Collections steady. NOVEMBER—Cleveland and Toledo retail trade down to last year's levels. Cleveland steel operations at lowest point since 1934.

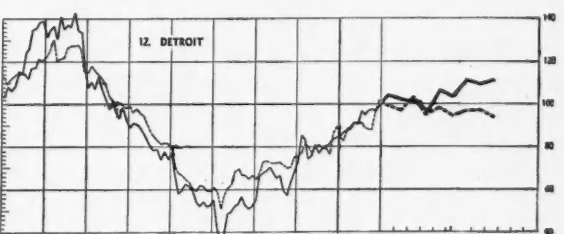
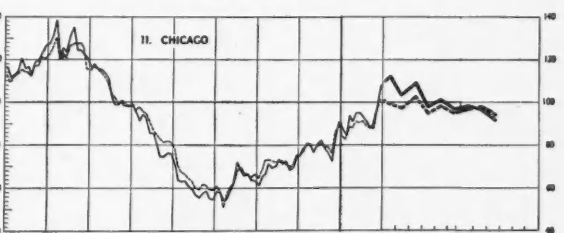
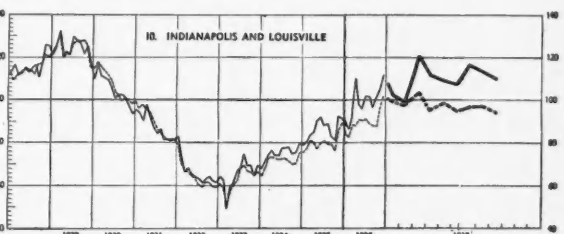
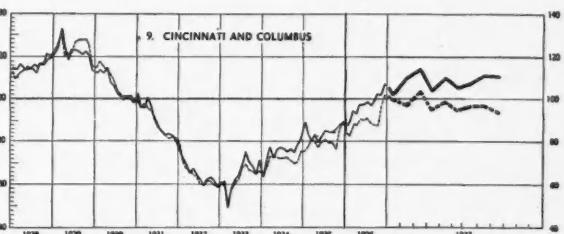
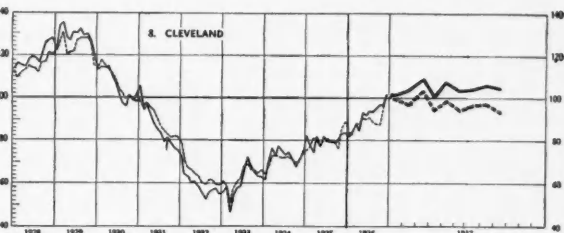
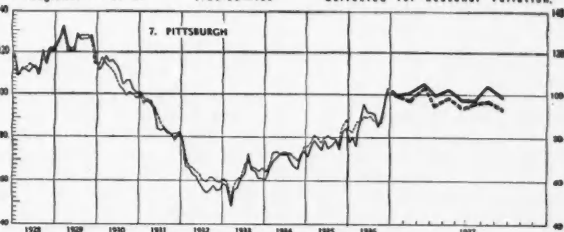
REGION 9: SEPT., 110.1 AUG., 111.1 SEPT. 1936, 99.0
 SEPTEMBER—Percentage department store sales increases over previous September: Cincinnati 20, Columbus 13. OCTOBER—Percentage retail trade changes from last October: Cincinnati +10, Lexington +10, Portsmouth -10, Dayton +12, Springfield -2, Columbus +5, Zanesville +10. Wholesale trade changes: Cincinnati +10, Columbus -5. Payrolls and production above last year in Cincinnati; steady in Zanesville; down elsewhere. Laundry strike affecting about 2,000 workers. Shoe production below last year. Collections prompter than last year in Cincinnati and Lexington; steady elsewhere. NOVEMBER—Cincinnati retail trade spotty; average about even with 1936. Wholesale dry goods dull; cancellations exceed normal.

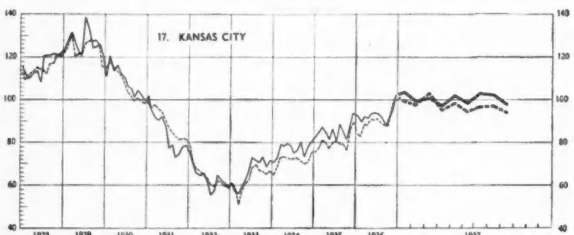
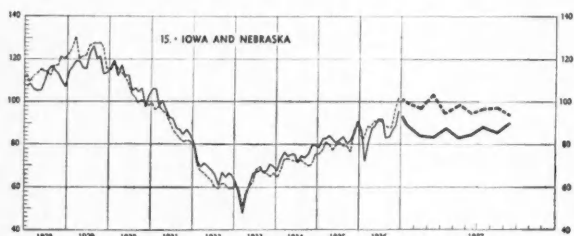
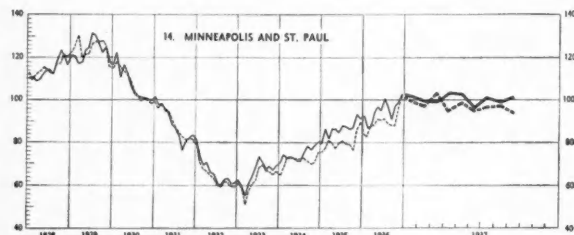
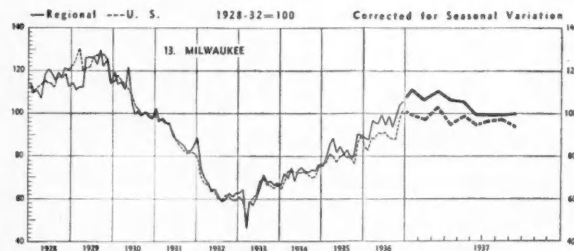
REGION 10: SEPT., 109.3 AUG., 113.0 SEPT. 1936, 96.5
 SEPTEMBER—Louisville department store sales 9% above last September. OCTOBER—Percentage retail trade changes from last October: Louisville -5, Evansville +30, Indianapolis +5, Terre Haute -10, Fort Wayne +10. Wholesale trade changes: Louisville -10, Indianapolis +10. Corn and tobacco crops large, but price of corn estimated 50% below last year. Payrolls and production above last year in Fort Wayne; steady in Indianapolis and Evansville; lower elsewhere. Coal production increasing, but still below last year. Collections prompter than last year in Fort Wayne; slower in Louisville; steady elsewhere. NOVEMBER—Retail sales 4% below last year in Indianapolis; 5% above in Fort Wayne.

REGION 11: SEPT., 91.9 AUG., 96.0 SEPT. 1936, 87.5
 SEPTEMBER—Chicago department store sales 5% above previous September. OCTOBER—Percentage retail trade changes from previous October: Chicago -6, Rockford -15, Peoria 0. Chicago wholesale trade down 10%. Corn crop being harvested; yield heavy. Payrolls and production steady in Peoria and South Bend; slower in Chicago. Rockford manufacturing activity about 10% below last year; furniture up slightly; employment and payrolls even. Collections steady in Peoria and South Bend; steady to slower elsewhere. NOVEMBER—Mild weather continued to retard sales of heavy merchandise. Buying fairly good at Chicago mid-season furniture shows. Reduced personnel in several important industries.

REGION 12: SEPT., 110.3 AUG., 108.9 SEPT. 1936, 97.0
 SEPTEMBER—Detroit department store sales 9% above previous September. New car registrations up 34%, the next-to-largest increase in any region. OCTOBER—Percentage retail trade changes from previous October: Detroit +12, Grand Rapids +5, Saginaw -10. Wholesale trade increases: Detroit 3, Grand Rapids 10. Volume in high-priced women's wear and household appliances above average. Dairy trade more profitable; feed prices down sharply. Payrolls and production steady in Grand Rapids and Saginaw; up in Detroit. Auto output about 352,000 units, compared to 235,000 last October. No labor trouble of consequence. Collections steady. NOVEMBER—Detroit retail trade volume down to 1936 level; unseasonable weather retarding demand. Weekly auto output declining.

—Regional —U. S. 1928-32=100 Corrected for Seasonal Variation.





REGION 13: SEPT., 100.0 AUG., 99.6 SEPT. 1936, 93.3
 SEPTEMBER—Milwaukee department store sales 11% above last September. OCTOBER—Percentage retail trade changes from previous October: Milwaukee —3, Madison 0, Green Bay +3. Milwaukee wholesale trade down 2%. Sugar beet yield about normal; price somewhat lower than last year. Payrolls and production steady in Milwaukee and Madison; slightly better than last year in Green Bay, where paper production is still running ahead. Milwaukee factories operating mainly on backlogs. Collections steady. NOVEMBER—Drop in Milwaukee retail sales, attributed largely to unseasonably warm weather. Production declining, especially in metal trades; reduction in number of employees and working hours.

REGION 14: SEPT., 100.3 AUG., 99.1 SEPT. 1936, 90.9
 SEPTEMBER—City department store sales in the region 8% above last September; rural up 7%. OCTOBER—Percentage retail trade changes from last October: Duluth +7, Minneapolis —5, St. Paul +13, Fargo —2, Sioux Falls —5, Billings +30, Butte 0. Wholesale trade changes: Duluth +7, Minneapolis —5. Almost total grain crop failure in Montana. Payrolls and production up in Minneapolis, St. Paul, and Duluth; steady in La Crosse; down elsewhere. Flour sales and production up. Iron ore shipping volume best since 1929. Collections faster than last year in Minneapolis; slower in Sioux Falls and Great Falls; steady elsewhere. NOVEMBER—Retail trade 8% above last year in St. Paul; at 1936 levels in Minneapolis.

REGION 15: SEPT., 89.5* AUG., 85.1 SEPT. 1936, 83.2
 SEPTEMBER—Omaha department store sales 0.4% above previous September. OCTOBER—Percentage retail trade changes: Burlington +10, Cedar Rapids +3, Davenport —15, Dubuque +10, Waterloo +25, Des Moines —5, Sioux City —7, Lincoln —4, Omaha —3. Wholesale trade changes: Sioux City —10, Omaha —3, Des Moines —3. Corn crop good; prices very low; Government loan expected to be material aid in region. Payrolls and production above last year in Burlington and Dubuque; down elsewhere. Collections slower than last year in Sioux City, Dubuque, and Des Moines; steady elsewhere. NOVEMBER—Omaha retail trade sluggish. Hand-to-mouth buying affecting wholesale lines. * Preliminary.

REGION 16: SEPT., 90.3 AUG., 90.8 SEPT. 1936, 84.0
 SEPTEMBER—Percentage department store sales increases over previous September: St. Louis 7, Springfield 13. OCTOBER—Percentage retail trade changes from previous October: St. Louis +3, Springfield (Ill.) —5, Quincy —5, Springfield (Mo.) +2. Sharp decline in St. Louis wholesale trade. Conditions favorable for Winter wheat. Payrolls and production below last year in Quincy and Springfield (Mo.); steady elsewhere. Shutdowns in Springfield (Mo.) garment plants due to scarcity of orders and labor troubles. Collections prompter than last year in Springfield (Ill.); steady elsewhere. NOVEMBER—St. Louis retail volume maintained by special selling events and activity in the fur line. Further drop in zinc and steel output.

REGION 17: SEPT., 97.1 AUG., 102.6 SEPT. 1936, 87.1
 SEPTEMBER—Percentage department store sales changes from last September: Kansas City —2, Wichita +10, Oklahoma City +10, Tulsa +19. New car registrations up 37%, the largest increase in any region. OCTOBER—Percentage retail trade changes from last October: Kansas City —5, St. Joseph —4, Topeka —5, Wichita +5, Oklahoma City —20, Tulsa +5. Wholesale trade decreases: Kansas City 6, Oklahoma City 10. Payrolls and production above last year in Wichita; steady to slower elsewhere. Packing industry more active. Collections prompter than last year in Tulsa; steady to slower elsewhere. NOVEMBER—St. Joseph retail trade about 6% under year ago; Kansas City retail and wholesale volume off slightly.

REGION 18: SEPT., 108.1 AUG., 105.5 SEPT. 1936, 102.0
 SEPTEMBER—Percentage department store sales increases over previous September: Baltimore 13, Washington 6. OCTOBER—Percentage retail trade changes from previous October: Baltimore +5, Washington —4, Norfolk +1, Richmond +2, Lynchburg +5, Roanoke —5, Bristol +1. Wholesale trade increases: Baltimore 3, Norfolk 5, Richmond 3. Payrolls and production even with last year in Roanoke and Norfolk; steady to down elsewhere. Richmond cigarette production still ahead of 1936; textile and paper output off. Volume in Roanoke rayon and rail plants steady. Collections faster than last year in Washington and Bristol; steady elsewhere. NOVEMBER—Baltimore trade 3% above year ago; volume partly attributed to promotion sales. Employment and payrolls continue above 1936.

REGION 19: SEPT., 110.5 AUG., 107.8 SEPT. 1936, 100.5

SEPTEMBER—Percentage department store sales increases over previous September: North Carolina 9, South Carolina 17. OCTOBER—Percentage retail trade changes from previous October: Asheville +5, Winston-Salem -5, Charlotte 0, Raleigh -5, Wilmington +5, Charleston -5, Columbia -2, Greenville +10. Wholesale trade changes: Wilmington -8, Charleston +3, Winston-Salem -3. Crop yields above last year; tobacco prices good, cotton low. Payrolls and production steady in Asheville, Raleigh, Wilmington, Charleston; below last year elsewhere. Textiles continue dull. Strike of longshoremen; Charleston port paralyzed for 10 days. NOVEMBER—Charleston retail volume 5% below last year; main declines in electrical appliances, automobiles and furniture. Wholesale grocery trade 3% above 1936.

REGION 20: SEPT., 109.6 AUG., 112.1 SEPT. 1936, 100.1

SEPTEMBER—Percentage department store sales increases over previous September: Atlanta 7, Birmingham 18, Chattanooga 22, Nashville 16. OCTOBER—Percentage retail trade changes from previous October: Atlanta +12, Augusta -5, Columbus -5, Macon -1, Birmingham -10, Savannah -10, Chattanooga -10, Nashville -15. Wholesale trade decreases: Atlanta 15, Birmingham 15, Nashville 15. Cotton plentiful, but prices generally below cost of production. Payrolls and production above last year in Birmingham; steady in Augusta, Mobile, Knoxville; down elsewhere. Collections slower than year ago in Macon, Mobile, Columbus, and Chattanooga; steady elsewhere. NOVEMBER—Atlanta retail sales 5% above last year.

REGION 21: SEPT., 114.7 AUG., 120.4 SEPT. 1936, 111.9

SEPTEMBER—Percentage department store sales increases over previous September: Jacksonville 0, Miami 5, Tampa 12. New car registrations down 18%, largest decrease in any region. OCTOBER—Percentage retail trade increases over previous October: Jacksonville 12, Miami 2, Tampa 10. Wholesale trade increases: Jacksonville 15, Tampa 0. Citrus shipments smaller than year ago. Payrolls and production steady in major cities. Jacksonville saw-mill operations curtailed by heavy rains; shipments hampered by tie-ups on the docks. Collections steady except in wholesale lines which were slower in Miami and Tampa. NOVEMBER—Slight let-down in wholesale and retail lines; Jacksonville volume still above year ago.

REGION 22: SEPT., 98.3 AUG., 96.9 SEPT. 1936, 103.8

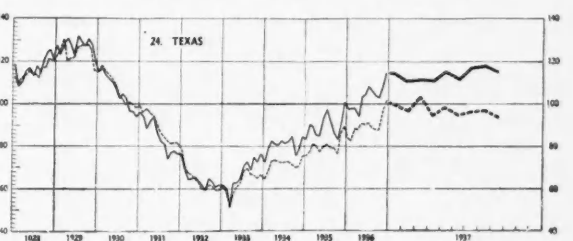
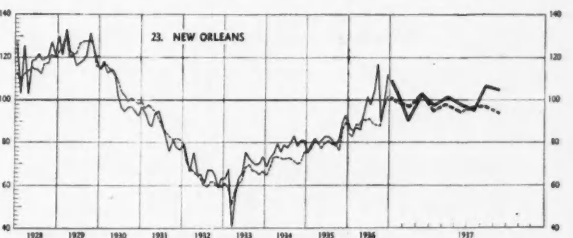
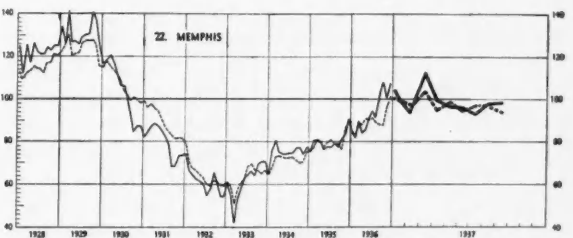
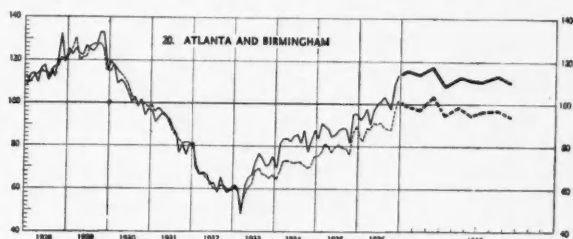
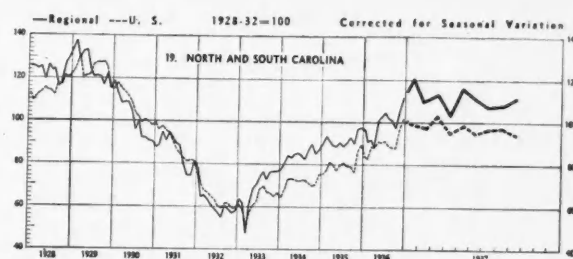
SEPTEMBER—Percentage department store sales increases over previous September: Memphis 8, Fort Smith 23, Little Rock 14. Bank debits down 13%, largest decrease in any region. OCTOBER—Percentage retail trade changes from previous October: Memphis +1, Fort Smith -5, Little Rock -10. Memphis wholesale trade about even; dry goods down. Net returns from cotton crop estimated slightly under last year. Payrolls and production steady in Memphis; below year ago in Fort Smith. Collections holding even in Memphis and Fort Smith in spite of trade declines in some lines; slower in Little Rock. NOVEMBER—Retail volume affected by mild weather and low cotton prices. Weather favorable for harvesting.

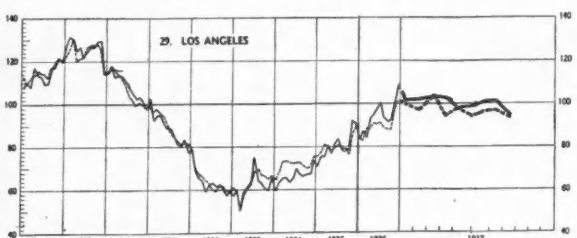
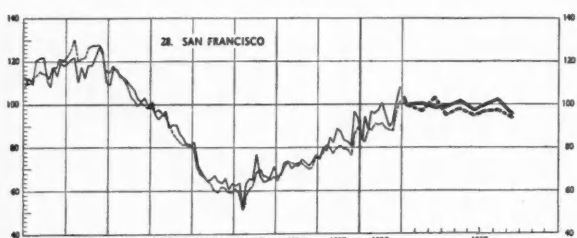
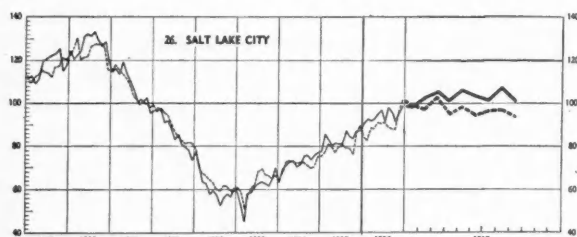
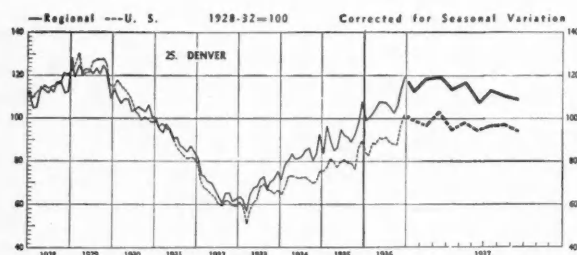
REGION 23: SEPT., 104.4 AUG., 106.1 SEPT. 1936, 116.5

SEPTEMBER—New Orleans retail trade 15% below previous September. OCTOBER—Percentage retail trade changes from previous October: New Orleans +10, Jackson -10, Meridian -10. New Orleans wholesale trade slightly off, particularly in cotton areas. Average farm incomes up somewhat; shortage in cotton more than offset by gains in cane, rice, vegetables, fruits, and nuts. Production and payrolls off in Meridian and Jackson; production steady in New Orleans, payrolls and employment below last year. Collections slower than last year in Meridian and Jackson; steady in New Orleans. NOVEMBER—New Orleans department store sales 8% above corresponding period of 1936. Slump in lumber orders continued.

REGION 24: SEPT., 114.6 AUG., 118.6 SEPT. 1936, 103.2

SEPTEMBER—Percentage department store sales increases over previous September: Dallas 14, Houston 15, San Antonio +9. OCTOBER—Percentage retail trade changes from previous October: Dallas +7, Fort Worth -2, El Paso -10, Houston +13, Galveston -7, Austin -10, Waco 0, San Antonio -4, Shreveport +5. Wholesale trade changes: Dallas +5, Houston +15, San Antonio -10, Shreveport -10, Fort Worth -5. Livestock in good condition. Payrolls and production above last year in Houston and Dallas; down in El Paso; steady elsewhere. Collections faster than last year in San Antonio, Houston, and Lubbock; slower in Waco, Shreveport, Fort Worth, El Paso; steady elsewhere. NOVEMBER—Dallas retail volume slightly under 1936. Country buying affected by low price of cotton.





REGION 25: SEPT., 108.3 AUG., 111.4 SEPT. 1936, 102.1
SEPTEMBER—Denver department store sales 2% above previous September. **OCTOBER**—Percentage decreases in retail trade from previous October: Denver 1, Albuquerque 10. Denver wholesale trade down 5%. Vegetable, fruit, and hay crops poor in New Mexico. Crop and livestock conditions good in Denver region; farm prices on upward trend. Denver building permits only half of September volume; about even with last October. Production steady in Denver and Albuquerque; payrolls unchanged in Denver, down in Albuquerque. Collections steady. **NOVEMBER**—Denver retail sales 6% ahead of last year; employment off 2%. Wholesale business down 8%; food and provisions sales holding up equal to year ago.

REGION 26: SEPT., 100.4 AUG., 106.4 SEPT. 1936, 95.1
SEPTEMBER—Salt Lake City department store sales 3% below previous September. **OCTOBER**—Salt Lake City retail trade 2% above last October. Wholesale trade unchanged; confectionery, household appliances, furniture, and building material lines down 2%; foodstuffs and wearing apparel slightly improved. Yields good in sugar beets, potatoes, and white beans; prices lower than last year. Payroll and production below last year; coal mining about even; metal mining and smelting down. Salt Lake City building permits 27% below September, 3% below last October. Collections slower. **NOVEMBER**—Slight decline under year ago in Salt Lake City retail trade.

REGION 27: SEPT., 96.1 AUG., 99.6 SEPT. 1936, 93.4
SEPTEMBER—Percentage department store sales changes from previous September: Seattle 0, Tacoma +4, Spokane -3, Portland -1. **OCTOBER**—Percentage retail trade changes from previous October: Seattle -3, Spokane +6, Portland +5, Tacoma +1. Wholesale trade increases: Seattle 5, Portland 2. Payrolls and production above last year in Seattle; below elsewhere. Lumber and logging industries off 30%, with additional curtailment expected. Fishing season good. Labor difficulties continue. Collections slower than last year in Spokane and Portland; steady elsewhere. **NOVEMBER**—Portland retail volume 4% above last year. Weekly lumber production under all normal weeks since April 1935.

REGION 28: SEPT., 95.1 AUG., 101.9 SEPT. 1936, 89.8
SEPTEMBER—Percentage department store sales increases over previous September: San Francisco 1, Oakland 3. **OCTOBER**—Percentage retail trade changes from previous October: San Francisco 0, Oakland -5, Sacramento 0, Fresno +20. San Francisco wholesale trade unchanged. Crop yields excellent; raisin and cotton prices low. Continued slackening in payrolls and production, but last year's levels still maintained. Labor troubles persist but are less disturbing. Collections slower than last year in Oakland and Sacramento; steady elsewhere. **NOVEMBER**—San Francisco trade sluggish, with declining tendency. Sales of canned fruits and vegetables disappointing.

REGION 29: SEPT., 94.1 AUG., 100.8 SEPT. 1936, 91.5
SEPTEMBER—Percentage department store sales changes from previous September: Los Angeles -2, Phoenix +3. **OCTOBER**—Percentage retail trade increases over previous October: Los Angeles 3, San Diego 6, Phoenix 0. Los Angeles wholesale trade 5% above last year; considerable decline in building material sales. Unusually large cotton, grape, and walnut yields have lowered prices; farm income still above year ago. Production and payrolls above last year in Los Angeles and San Diego; steady in Phoenix. Heavy declines in Arizona copper output. Collections steady to slower than last year in Los Angeles and Phoenix; somewhat better in San Diego. **NOVEMBER**—Los Angeles department store sales slightly under year ago; furniture volume following downward trend of building operations.

REGIONAL TRADE BAROMETERS, MAY, 1937-SEPTEMBER, 1937

| REGION | U. S. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
|-----------|-------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| May | 98.6 | 88.9 | 86.1 | 97.1 | 89.2 | 92.6 | 99.5 | 102.4 | 108.0 | 109.9 | 109.7 | 100.9 | 105.8 | 105.7 | 102.8 |
| June | 95.1 | 85.6 | 83.5 | 93.7 | 84.9 | 82.4 | 91.4 | 97.9 | 103.6 | 105.3 | 107.8 | 97.3 | 103.6 | 99.7 | 96.2 |
| July | 96.2 | 84.7 | 86.8 | 97.2 | 89.5 | 90.1 | 91.0 | 97.3 | 104.4 | 107.8 | 116.9 | 97.4 | 115.5 | 99.4 | 101.4 |
| August | 96.3 | 80.0 | 86.2 | 96.3 | 89.5 | 91.0* | 93.3 | 104.2 | 105.8 | 111.1 | 113.0 | 96.0 | 108.9 | 99.6 | 99.1 |
| September | 93.8 | 81.4 | 84.2 | 95.2 | 85.7 | 87.6 | 87.6 | 99.7 | 104.0 | 110.1 | 109.3 | 91.9 | 110.3 | 100.0 | 100.3 |
| REGION | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 |
| May | 82.8 | 97.2 | 102.0 | 109.9 | 116.0 | 112.7 | 114.9 | 96.7 | 101.4 | 115.3 | 116.8 | 106.9 | 99.3 | 101.7 | 97.9 |
| June | 84.7 | 91.9 | 98.9 | 108.0 | 111.7 | 111.3 | 120.5 | 96.2 | 98.4 | 112.1 | 107.5 | 103.9 | 105.1 | 97.6 | 99.1 |
| July | 88.2 | 99.9 | 102.3 | 106.6 | 107.0 | 110.1 | 108.0 | 92.6 | 95.9 | 116.8 | 112.7 | 100.5 | 97.9 | 100.0 | 100.9 |
| August | 85.1 | 90.8 | 102.6 | 105.5 | 107.8 | 112.1 | 120.4 | 96.9 | 106.1 | 118.6 | 111.4 | 106.4 | 99.6 | 101.9 | 100.8 |
| September | 89.5† | 90.3 | 97.1 | 108.1 | 110.5 | 109.6 | 114.7 | 98.3 | 104.4 | 114.6 | 108.3 | 100.4 | 96.1 | 95.1 | 94.1 |

* Revised. † Preliminary.

SUMMARY OF INDUSTRIAL AND COMMERCIAL FAILURES

| NUMBER OF FAILURES | | | | | LIABILITIES OF FAILURES * | | | | DUN'S INSOLVENCY INDEX † | | | | | | | |
|--------------------|-------|--------|--------|-------|---------------------------|---------|---------|--------|--------------------------|------|------|------|------------|------|------|------|
| | 1937 | 1936 | 1935 | 1934 | 1937 | 1936 | 1935 | 1934 | UNADJUSTED | | | | ADJUSTED ‡ | | | |
| January ... | 811 | 1,077 | 1,146 | 1,317 | 8,661 | 18,104 | 14,603 | 29,035 | 46.0 | 63.0 | 66.7 | 77.0 | 37.4 | 51.2 | 53.8 | 61.6 |
| February ... | 721 | 856 | 956 | 1,017 | 9,771 | 14,089 | 15,217 | 16,772 | 48.4 | 56.6 | 66.0 | 70.3 | 42.1 | 48.8 | 55.9 | 59.1 |
| March ... | 820 | 946 | 940 | 1,069 | 10,922 | 16,271 | 15,361 | 24,002 | 44.9 | 53.3 | 55.0 | 60.4 | 44.9 | 53.3 | 55.0 | 60.4 |
| April ... | 786 | 830 | 1,083 | 1,020 | 8,906 | 14,157 | 16,529 | 22,871 | 46.4 | 50.4 | 63.5 | 62.4 | 45.5 | 49.4 | 62.3 | 61.8 |
| May ... | 834 | 832 | 1,004 | 942 | 8,364 | 15,375 | 14,339 | 20,787 | 45.4 | 46.4 | 58.8 | 55.4 | 45.4 | 46.4 | 58.8 | 56.0 |
| June ... | 670 | 773 | 944 | 992 | 8,191 | 9,177 | 12,918 | 20,591 | 39.3 | 44.6 | 57.5 | 58.4 | 41.4 | 46.9 | 60.5 | 61.5 |
| July ... | 618 | 639 | 902 | 870 | 7,766 | 9,904 | 16,523 | 16,555 | 36.0 | 38.3 | 52.8 | 53.2 | 40.0 | 42.6 | 58.7 | 59.1 |
| August ... | 707 | 655 | 884 | 872 | 11,916 | 8,271 | 13,266 | 15,703 | 38.1 | 36.2 | 49.8 | 49.2 | 44.8 | 42.6 | 57.9 | 56.6 |
| September ... | 564 | 586 | 787 | 771 | 8,393 | 9,819 | 17,002 | 15,552 | 34.1 | 33.4 | 50.0 | 48.8 | 40.6 | 39.8 | 59.5 | 58.1 |
| October ... | 768 | 611 | 1,056 | 1,039 | 9,335 | 8,266 | 17,185 | 16,973 | 42.8 | 36.2 | 61.8 | 60.7 | 46.5 | 39.3 | 67.2 | 66.0 |
| November ... | 688 | 688 | 898 | 882 | ... | 11,532 | 14,384 | 14,376 | ... | 44.3 | 59.4 | 58.1 | ... | 43.4 | 58.2 | 57.5 |
| December ... | 692 | 692 | 910 | 933 | ... | 12,288 | 15,686 | 16,981 | ... | 42.6 | 55.3 | 56.6 | ... | 42.6 | 54.8 | 55.5 |
| Total ... | 9,185 | 11,510 | 11,724 | ... | 147,253 | 183,013 | 230,198 | ... | 42.1 | 45.4 | 58.1 | 59.2 | 42.9 | 45.5 | 58.6 | 59.4 |

* In thousands of dollars. † Apparent annual failures per 10,000 enterprises. ‡ For seasonal variation.

ANALYZING THE RECORD OF INDUSTRIAL and COMMERCIAL FAILURES

OCTOBER INCREASE MORE THAN SEASONAL

THE course of industrial and commercial failures in October was decidedly upward. Numbers increased from 564 in September to 768, and liabilities from \$8,393,000 to \$9,335,000. A year ago there were 611 failures with \$8,255,000 liabilities. The increase of 204 cases was in the usual seasonal direction, and amounted to 36 per cent, compared with a rise of 34 per cent in 1935 and 35 per cent in 1934. Last year, when failures were in a steady downward movement, the October rise was only 4 per cent.

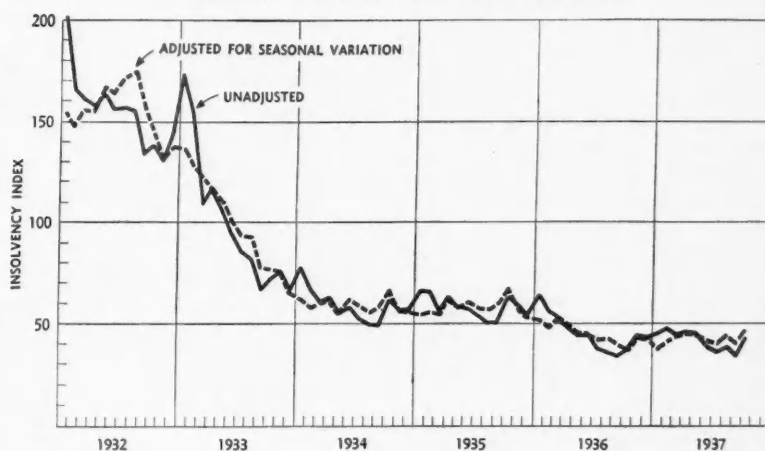
The insolvency index relates these reported failures to the number of firms in business, after correcting for the number of working days, and is expressed as the number of failures which would occur in a year in each 10,000 business firms if monthly conditions prevailed throughout the year. The October increase caused the index to rise 8.7 points, or from 34.1 to 42.8. This monthly rise in the index was greater than the average October upward movement over a long period of

years, so that the index when corrected for seasonal variation also showed a marked rise, from 40.6 to 46.5.

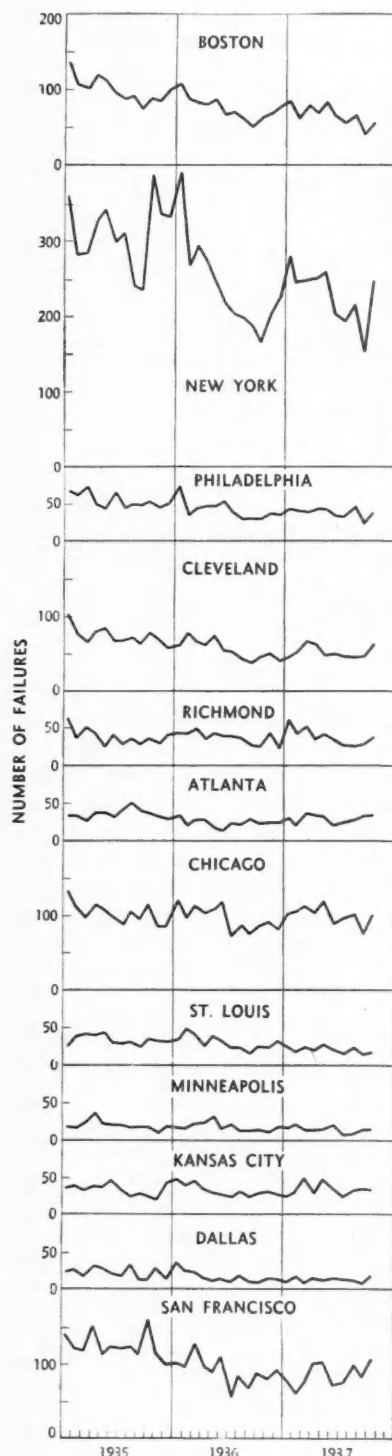
Where and in what industries does the October increase usually occur, and did the current movement follow the pattern? A study of the October changes in recent years which experienced a similar monthly upturn

showed first that all major industry groups share in the increase, and secondly, that manufacturing and retail trade failures rose this October in the same fashion as in 1935, 47 per cent and 30 per cent respectively, in both years. Among the smaller groups less uniformity was apparent. The current increase in wholesale trade failures

MONTHLY TREND OF THE INSOLVENCY INDEX



FAILURES IN FEDERAL RESERVE DISTRICTS



FAILURES BY DIVISIONS OF INDUSTRY—OCTOBER, 1937 AND 1936

(Liabilities in thousands of dollars)

| | Number | | | Liabilities | | |
|--|--------------|---------------|--------------|--------------|---------------|--------------|
| | Oct. 1937 | Sept. 1937 | Oct. 1936 | Oct. 1937 | Sept. 1937 | Oct. 1936 |
| MANUFACTURING | | | | | | |
| Foods | 45 | 30 | 23 | 834 | 529 | 1,391 |
| Textiles | 43 | 13 | 17 | 729 | 1,187 | 211 |
| Forest Products | 13 | 10 | 9 | 427 | 98 | 378 |
| Paper, Printing and Publishing | 12 | 9 | 14 | 128 | 121 | 405 |
| Chemicals and Drugs | 3 | 8 | 6 | 63 | 196 | 423 |
| Fuels | 3 | 1 | 2 | 57 | 105 | 43 |
| Leather and Leather Products | 3 | 3 | 3 | 95 | 71 | 33 |
| Stone, Clay, Glass and Products | 3 | 4 | 6 | 16 | 51 | 103 |
| Iron and Steel | 9 | 3 | 3 | 354 | 81 | 89 |
| Machinery | 12 | 6 | 4 | 174 | 55 | 65 |
| Transportation Equipment | 5 | 8 | 4 | 212 | 158 | 94 |
| All Other | 21 | 22 | 14 | 704 | 354 | 234 |
| Total Manufacturing | 172 | 117 | 105 | 3,793 | 3,006 | 3,469 |
| Per cent of month's total | 22.4 | 20.7 | 17.2 | 40.7 | 35.9 | 42.0 |
| WHOLESALE TRADE | | | | | | |
| Farm Products, Foods, Groceries | 40 | 15 | 29 | 613 | 240 | 247 |
| Clothing and Furnishings | 3 | 2 | 1 | 21 | 12 | 18 |
| Dry Goods and Textiles | 2 | 1 | .. | 39 | 6 | .. |
| Lumber, Building Materials, Hardware | 7 | 4 | 6 | 197 | 32 | 151 |
| Chemicals and Drugs | 4 | 3 | 3 | 112 | 416 | 57 |
| Fuels | 2 | 3 | 2 | 33 | 75 | 14 |
| Automotive Products | 6 | 5 | 1 | 76 | 56 | 2 |
| Supply Houses | 4 | 3 | 3 | 69 | 15 | 202 |
| All Other | 19 | 13 | 10 | 271 | 208 | 144 |
| Total Wholesale Trade | 87 | 49 | 55 | 1,431 | 1,060 | 835 |
| Per cent of month's total | 11.3 | 8.7 | 9.0 | 15.3 | 12.6 | 10.1 |
| RETAIL TRADE | | | | | | |
| Foods | 146 | 113 | 139 | 721 | 613 | 988 |
| Farm Supplies, General Stores | 24 | 22 | 27 | 169 | 210 | 222 |
| General Merchandise | 21 | 12 | 10 | 163 | 116 | 54 |
| Apparel | 81 | 43 | 45 | 464 | 245 | 255 |
| Furniture, Household Furnishings | 23 | 22 | 16 | 256 | 588 | 84 |
| Lumber, Building Materials, Hardware | 23 | 19 | 28 | 245 | 227 | 205 |
| Automotive Products | 38 | 30 | 32 | 364 | 294 | 485 |
| Restaurants | 32 | 28 | 28 | 403 | 338 | 157 |
| Drugs | 27 | 20 | 37 | 208 | 153 | 300 |
| All Other | 22 | 27 | 20 | 123 | 290 | 138 |
| Total Retail Trade | 437 | 336 | 382 | 3,116 | 3,074 | 2,888 |
| Per cent of month's total | 56.9 | 59.6 | 62.5 | 33.4 | 36.6 | 34.9 |
| CONSTRUCTION | | | | | | |
| General Contractors | 3 | 5 | 5 | 40 | 61 | 26 |
| Carpenters and Builders | 14 | 9 | 12 | 221 | 151 | 356 |
| Building Sub-contractors | 20 | 21 | 17 | 163 | 187 | 191 |
| Other Contractors | .. | 1 | .. | .. | 32 | .. |
| Total Construction | 37 | 36 | 34 | 424 | 431 | 573 |
| Per cent of month's total | 4.8 | 6.4 | 5.6 | 4.5 | 5.1 | 6.9 |
| COMMERCIAL SERVICE | | | | | | |
| Cleaners and Dyers, Tailors | 4 | 4 | 2 | 39 | 29 | 7 |
| Haulage, Buses, Taxis, etc. | 13 | 6 | 18 | 354 | 342 | 224 |
| Hotels | 2 | 4 | 5 | 6 | 196 | 202 |
| Laundries | 3 | 1 | 1 | 47 | 20 | 10 |
| Undertakers | 2 | 2 | .. | 15 | 10 | .. |
| All Other | 11 | 9 | 9 | 110 | 225 | 58 |
| Total Commercial Service | 35 | 26 | 35 | 571 | 822 | 501 |
| Per cent of month's total | 4.6 | 4.6 | 5.7 | 6.1 | 9.8 | 6.1 |
| Total U. S. | 768 | 564 | 611 | 9,335 | 8,393 | 8,266 |

was much greater than in recent years.

The following table shows most of the groups well above their last October level:

| | October 1937 | October 1936 | Per Cent Change |
|--------------------------|-----------------|-----------------|--------------------|
| Manufacturing | 172 | 105 | +64 |
| Wholesale Trade..... | 87 | 55 | +58 |
| Retail Trade..... | 437 | 382 | +14 |
| Construction | 37 | 34 | +9 |
| Commercial Service | 35 | 35 | 0 |
| Total | 768 | 611 | +26 |

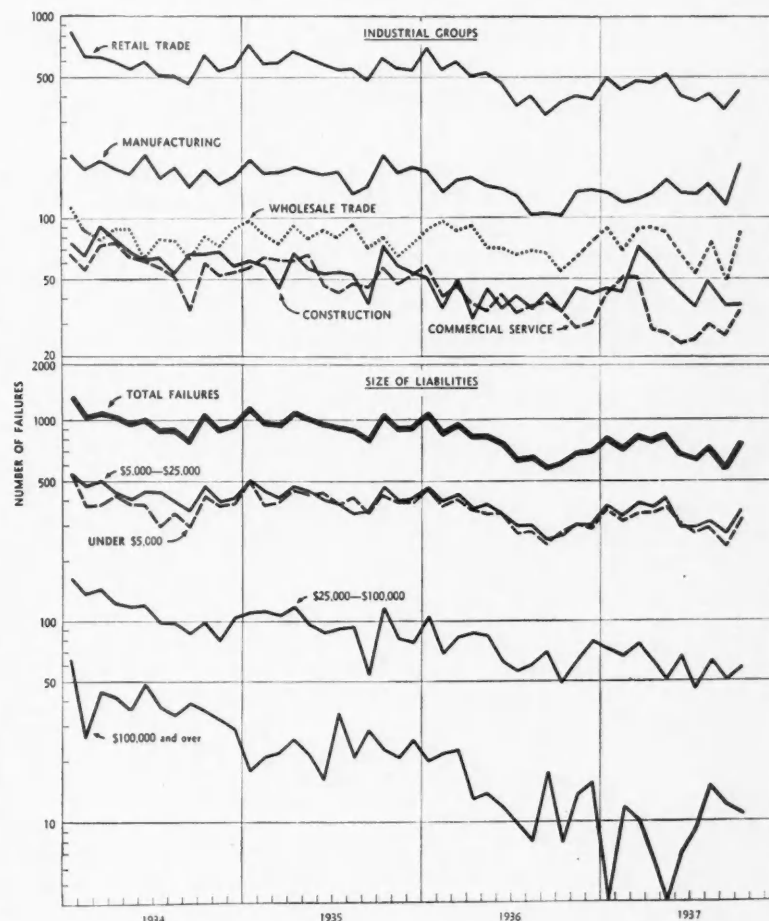
Within the major industry groups there were very few lines of business which did not experience increased failures this month. In manufacturing, substantial increases in foods, textile products—especially women's apparel—and machinery brought these lines to their highest points for the year and helped to raise the entire group to its highest point. The wholesale rise took place in all lines, particularly in food products. The retail trade rise also occurred in all groups, but none of them are at the high levels of last Spring.

The distribution of October failures by size and industry showed that manufacturing increases were mainly from among medium-sized or very large concerns; in wholesale trade from the very small and the quite substantial concerns; and in the retail trade from the very small enterprises. Compared with a year ago the larger increases are among the larger companies.

| Liabilities | October 1937 | October 1936 | Per Cent Change |
|--------------------------|-----------------|-----------------|--------------------|
| Under \$5,000..... | 328 | 282 | +16 |
| \$5,000—\$25,000 | 360 | 272 | +32 |
| \$25,000—\$100,000 | 69 | 49 | +40 |
| \$100,000 and over..... | 11 | 8 | +38 |
| Total | 768 | 611 | +26 |

As to where October failure increases take place, there does appear to be a quite definite geographical pattern. In the three years, 1934, 1935, and 1937, the relative increases over September have been greatest in the New York Federal Reserve District; least, with even declines, in the Minneapolis, Kansas City, and Atlanta districts, with St. Louis approaching this group; and very similar average increases in the rest of the country. The St. Louis District

FAILURES BY INDUSTRIAL GROUPS AND SIZE OF LIABILITIES



leads the country in improvement (that is, fewer failures) over last year.

Most of the current manufacturing increase took place in the New York and Philadelphia districts, and in New York manufacturing failures are at the year's high. The wholesale trade increase was more general, occurring in eight of the twelve districts, particularly in New York, Richmond, Chicago, and San Francisco. Retail trade failures increased in ten of the districts, with Kansas City and Cleveland showing slight declines.

Among the 25 largest cities, October failures in New York City, Los Angeles, Pittsburgh, and Seattle were the highest for the year.

Canadian Failures

Canadian failures do not follow the course of the United States failures. In October there was an increase of only one, making a total of 64 compared with 63 in September, and 85 a year ago. During the entire year they have been well below last year's level. Two large failures among lumber interests in British Columbia caused liabilities to rise from \$413,000 in September to \$694,000. Five of the nine Provinces, including Quebec, reported increased failures, which were counterbalanced by a large drop in Ontario.

Note: In DUN'S STATISTICAL REVIEW there are published more detailed failure statistics by States, large cities, industrial divisions, size of liabilities, and special quarterly figures by industries.

77-B CASES—CORPORATE REORGANIZATIONS

These cases should be considered in connection with failures to give a complete picture of companies whose financial difficulties have led them to the courts.

OCTOBER usually brings not only increased business failures, but increased numbers of companies seeking reorganization as well, and this October was no exception.

77-B cases rose from 42 in the five-week month of September to 57 in the four-week month of October, or from a weekly average of 8.4 to 14.2. This weekly average is higher than in any month this year with the exception of March. This is also the fourth consecutive month in which weekly figures have run higher than those of last year. There were 10.8 applications a week in October 1936.

The increase took place in all industry groups except construction. The twenty-two manufacturing cases were

well distributed, although food products, including five breweries, led as usual. Half of the retail trade cases were men's clothing and furnishings concerns, and three of the five service cases were haulage companies.

The table below shows the classification of the forty-three industrial and commercial cases by age and size, and industry and size. As a whole, the cases are very evenly distributed this month. Not often are there so many large, newly-established companies, nor so many small, old companies. Also the number includes many small manufacturers and several large wholesalers.

As usual, however, most of the retailers were small concerns.

Had the tabulation by age been on the basis of dates when the businesses were first started, fourteen companies would have dropped to lower time periods. Twenty cases in all were successions, fourteen to unsuccessful companies and six to individual enterprises or partnerships.

Of the three very large manufacturing companies, only one, a paper company, is a going concern. The other two, mining and timber interests, have large property holdings but are not active at the present time. Among the eight manufacturing companies with capital stock between \$100,000 and \$1,000,000 are the five breweries, two manufacturers of automobile accessories, and one which is developing a textile product.

77-B APPLICATIONS BY MAIN DIVISIONS OF INDUSTRY—OCTOBER 1937 AND 1936

| | Oct. 1937 | Sept. 1937 | Oct. 1936 |
|---------------------|-----------|------------|-----------|
| Manufacturing | 22 | 15 | 21 |
| Wholesale Trade | 8 | 6 | 6 |
| Retail Trade | 8 | 4 | 5 |
| Construction | 1 | 1 | 1 |
| Commercial Service | 5 | 3 | 6 |
| Others (*) | 14 | 13 | 15 |
| Total United States | 57 | 42** | 54** |

(*) Not included in tabulation of commercial failures, such as real estate and investment companies.
** Five weeks.

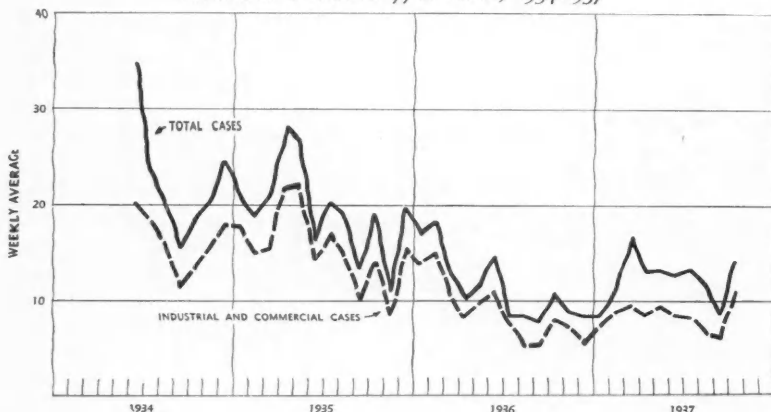
| Date Incorporated in Present Form | Capital Stock | | | | |
|-----------------------------------|----------------|-----------------------|--------------------------|----------------------|--|
| | Under \$25,000 | \$25,000 to \$100,000 | \$100,000 to \$1,000,000 | \$1,000,000 and over | |
| 1935-1937 | 4 | 4 | 3 | .. | |
| 1930-1934 | 8 | 4 | 1 | .. | |
| 1925-1929 | 2 | 1 | 1 | 2 | |
| 1920-1924 | 1 | 1 | 1 | .. | |
| 1900-1919 | 2 | 2 | 3 | .. | |
| Before 1900 | .. | .. | 2 | 1 | |
| Total | 17 | 12 | 11 | 3 | |
| Industry Group | | | | | |
| Manufacturing | 6 | 5 | 8 | 3 | |
| Wholesale Trade | 3 | 3 | 2 | .. | |
| Retail Trade | 6 | 2 | .. | .. | |
| Commercial Service | 2 | 2 | 1 | .. | |
| Total | 17 | 12 | 11 | 3 | |

77-B APPLICATIONS BY MONTHS

| | NUMBER | | | |
|-----------|--------|-------|-------|------|
| | 1937 | 1936 | 1935 | 1934 |
| January | 33 | 84* | 104* | .. |
| February | 45 | 72 | 74 | .. |
| March | 82* | 50 | 86 | .. |
| April | 51 | 51* | 112 | .. |
| May | 52 | 46 | 135* | .. |
| June | 62* | 59 | 65 | 104 |
| July | 53 | 41* | 82 | 94 |
| August | 45 | 33 | 95* | 102* |
| September | 42* | 30 | 52 | 62 |
| October | 57 | 54* | 95* | 73 |
| November | .. | 35 | 44 | 101* |
| December | .. | 41* | 79 | 98 |
| Total | 596 | 1,023 | 634** | .. |

* Five-week month. ** Twenty-nine weeks.

MONTHLY TREND OF 77-B CASES, 1934-1937



| WEEKLY AVERAGE | | | | |
|----------------|------|------|------|------|
| | 1937 | 1936 | 1935 | 1934 |
| January | 8.2 | 16.8 | 20.8 | .. |
| February | 11.2 | 18.0 | 18.5 | .. |
| March | 16.4 | 12.5 | 21.5 | .. |
| April | 12.8 | 10.2 | 28.0 | .. |
| May | 13.0 | 11.5 | 27.0 | .. |
| June | 12.4 | 14.8 | 16.3 | 34.7 |
| July | 13.2 | 8.2 | 20.5 | 23.5 |
| August | 11.2 | 8.3 | 19.0 | 20.4 |
| September | 8.4 | 7.5 | 13.0 | 15.5 |
| October | 14.2 | 10.8 | 19.0 | 18.3 |
| November | .. | 8.8 | 11.0 | 20.2 |
| December | .. | 8.2 | 19.8 | 24.5 |
| Total | 11.2 | 19.7 | 21.9 | .. |

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"
More detailed figures appear in "DUN'S STATISTICAL REVIEW"

Bank Clearings—22 U. S. Cities

(Millions of dollars)

| | Monthly | | | Daily Average | | |
|-----------|---------|---------|---------|---------------|---------|-------|
| | 1937 | 1936 | 1935 | 1937 | 1936 | 1935 |
| January | 27,226 | 25,262 | 23,519 | 1,089.0 | 971.6 | 904.6 |
| February | 23,718 | 22,065 | 19,108 | 1,078.1 | 959.3 | 868.5 |
| March | 29,412 | 26,610 | 24,354 | 1,089.3 | 1,023.4 | 936.7 |
| April | 26,086 | 24,711 | 22,809 | 1,003.3 | 950.4 | 877.3 |
| May | 23,951 | 22,473 | 22,908 | 958.0 | 898.9 | 881.1 |
| June | 25,903 | 26,148 | 22,392 | 996.3 | 1,005.7 | 895.7 |
| July | 26,015 | 24,766 | 24,100 | 1,000.6 | 952.5 | 926.9 |
| August | 22,260 | 21,269 | 22,313 | 856.2 | 818.0 | 826.4 |
| September | 24,076 | 23,927 | 20,986 | 963.0 | 957.1 | 874.4 |
| October | 24,668 | 25,852 | 24,076 | 986.7 | 994.3 | 926.0 |
| November | | 24,554 | 22,241 | | 1,116.1 | 967.0 |
| December | | 31,153 | 24,089 | | 1,198.2 | 963.6 |
| Total | | 298,790 | 272,895 | | 987.1 | 904.0 |

Building Permit Values—215 Cities

By Geographical Groups

| Groups: | October 1937 | October 1936 | Change P. Ct. | September 1937 | Change P. Ct. |
|------------------|--------------|--------------|---------------|----------------|---------------|
| New England | \$5,125,590 | \$4,560,953 | + 12.4 | \$5,324,950 | — 3.7 |
| Middle Atlantic | 39,218,498 | 25,147,733 | + 56.0 | 22,273,113 | + 76.0 |
| South Atlantic | 7,610,841 | 8,443,555 | — 9.9 | 9,510,509 | — 20.0 |
| East Central | 15,932,096 | 16,954,353 | — 6.0 | 18,715,200 | — 14.9 |
| South Central | 8,245,822 | 11,488,507 | — 28.2 | 6,534,884 | + 26.2 |
| West Central | 3,440,800 | 5,122,072 | — 32.8 | 4,774,540 | — 27.9 |
| Mountain | 1,530,036 | 1,670,873 | — 8.4 | 2,361,775 | — 35.2 |
| Pacific | 9,571,100 | 17,312,610 | — 44.7 | 17,228,859 | — 44.4 |
| Total U. S. | \$90,674,783 | \$90,701,556 | — 0.03 | \$86,723,830 | + 4.6 |
| New York City | \$30,051,768 | \$16,282,663 | + 84.6 | \$14,488,718 | + 107.4 |
| Outside N. Y. C. | \$60,623,015 | \$74,418,893 | — 18.5 | \$72,235,112 | — 16.1 |

World Visible Wheat Supplies

(Thousands of bushels)

| | U. S. East of Rockies | U. S. Pacific Coast | Canada | Total U. S. and Canada both Coasts | U. K. * and Aloft | Continent * | Total America and Europe |
|----------|-----------------------|---------------------|--------|------------------------------------|-------------------|-------------|--------------------------|
| 1937 | | | | | | | |
| Sept. 4 | 134,810 | 3,869 | 49,764 | 188,443 | 31,200 | 3,400 | 223,043 |
| Sept. 11 | 136,535 | 4,737 | 57,144 | 198,416 | 30,500 | 3,600 | 232,516 |
| Sept. 18 | 137,489 | 6,574 | 67,452 | 211,515 | 30,000 | 3,300 | 244,815 |
| Sept. 25 | 137,462 | 5,662 | 74,507 | 217,631 | 30,200 | 3,100 | 250,931 |
| Oct. 2 | 137,041 | 5,475 | 74,858 | 217,374 | 31,000 | 3,300 | 251,074 |
| Oct. 9 | 136,060 | 5,358 | 74,135 | 215,553 | 35,500 | 3,200 | 254,253 |
| Oct. 16 | 134,770 | 5,265 | 73,266 | 213,301 | 35,500 | 3,000 | 251,801 |
| Oct. 23 | 131,457 | 5,129 | 72,857 | 209,443 | 36,200 | 3,000 | 248,643 |
| Oct. 30 | 126,639 | 4,997 | 74,483 | 206,119 | 38,500 | 3,300 | 247,919 |
| Nov. 6 | 124,890 | 4,750 | 74,399 | 204,039 | 39,000 | 4,000 | 247,039 |
| Nov. 13 | 120,457 | 4,562 | 72,868 | 197,887 | 41,800 | 4,100 | 243,787 |
| Nov. 20 | 116,086 | 4,292 | 69,818 | 190,196 | 44,300 | 5,600 | 240,096 |

* Reported by Broomhall.

Dun & Bradstreet Wholesale Commodity Price Index

| Groups: | Nov. 1, 1937 | Oct. 1, 1937 |
|---------------------|--------------|--------------|
| Breadstuffs | \$0.1107 | \$0.1216 |
| Livestock | .3766 | .4321 |
| Provisions | 3.0072 | 3.1027 |
| Fruits | .2375 | .2400 |
| Hides and Leather | 1.1863 | 1.2113 |
| Textiles | 2.4847 | 2.6312 |
| Metals | .8004 | .8904 |
| Coal and Coke | .0122 | .0122 |
| Oils | .6105 | .6307 |
| Naval Stores | .1046 | .1104 |
| Building Materials | .1233 | .1233 |
| Chemicals and Drugs | .8448 | .8448 |
| Miscellaneous | .4490 | .4976 |
| Total All | \$10.3478 | \$10.8483 |

(First of Month) 1937 1936

| | | |
|-----------------|-----------|-----------|
| January | \$11.1360 | \$10.3641 |
| February | 11.2320 | 10.0204 |
| March | 11.3494 | 9.9196 |
| April | 11.8150 | 9.8541 |
| May | 11.5159 | 9.8191 |
| June | 11.3374 | 9.7374 |
| July | 11.2734 | 9.8538 |
| August | 11.1928 | 10.1445 |
| September | 10.9570 | 10.1907 |
| October | 10.8483 | 10.2716 |
| November | 10.3478 | 10.2214 |
| December | | 10.7895 |
| Monthly Average | \$11.1824 | \$10.0989 |

Dun's Index Number of Wholesale Commodity Prices

| Groups: | Nov. 1, 1937 | Oct. 1, 1937 |
|------------------|--------------|--------------|
| Breadstuffs | \$23.311 | \$30.066 |
| Meat | 26.818 | 28.227 |
| Dairy and Garden | 19.677 | 19.265 |
| Other Food | 18.669 | 18.527 |
| Clothing | 31.275 | 32.892 |
| Metals | 25.160 | 25.955 |
| Miscellaneous | 38.543 | 38.742 |

Total All \$183.453 \$193.674

(First of Month) 1937 1936

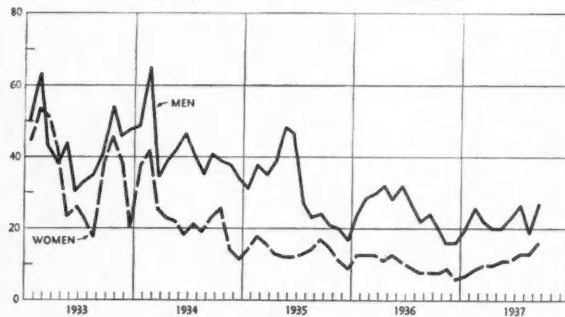
| | | |
|-----------|-----------|-----------|
| January | \$206.544 | \$178.063 |
| February | 203.206 | 179.045 |
| March | 205.177 | 179.601 |
| April | 205.550 | 173.649 |
| May | 204.981 | 173.485 |
| June | 201.516 | 172.136 |
| July | 202.413 | 178.240 |
| August | 193.940 | 181.878 |
| September | 192.778 | 182.498 |
| October | 193.674 | 183.153 |
| November | 183.453 | 184.397 |
| December | | 192.959 |

Monthly Average \$199.385 \$179.925

THROUGH THE STATISTICIAN'S EYES

ODD AND INTERESTING ITEMS FROM THE MONTH'S RECORD

Employment Demand—Supply



RATIO OF APPLICANTS TO JOB-OPENINGS—January 1933-September 1937—National Employment Exchange—More offerings and fewer applicants for positions characterize the trend of New York City employment during the recovery period.

THE extent to which competition has decreased in the new-job field as business trends have become more favorable is disclosed by sample employment data compiled by the National Employment Exchange of New York City. According to reports of the agency, the average number of applicants for each white-collar opening in the metropolitan district increased from 2.9 in 1929 to 39.5 in 1933, and dropped back to 16.8 in the first nine months of 1937.

Since these figures are derived from the records of a single agency operating only in the field of white-collar employment in the metropolitan district they are limited in their application and should be interpreted with this in mind.

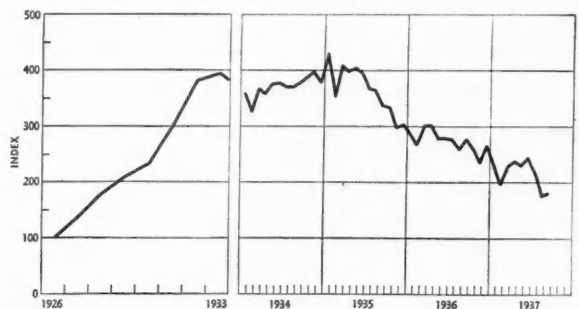
A comparison of the separate ratios for men and women reveals that the average female applicant has a much better chance of getting her job than the average male has of getting his—at least she has fewer competitors standing in her way. In every year during the period for which data are available, the proportion of position-seekers to available openings has been lower for women than for men.

Foreclosures

THE INDEX of foreclosures gains in significance when considered in relation to other elements in the real estate setting. The steady upward climb in number of foreclosures during the years of prosperity appears less inconsistent with the movements of other indexes during that period when the whole post-war boom in real estate values is taken into account. It has been estimated, for example, that from 1921 to 1929 a three-fold increase occurred in the urban mortgage debt: basing totals on holdings of the major lending companies alone, authors of "The Internal Debts of the United States," found that the debt grew from

\$8,968,000,000 to \$27,616,000,000 in this eight-year period.

With the advent of the depression, shrinking wages brought an additional problem to a situation already complicated by a large volume of "shoe-string" equities and callable accounts. State moratorium laws were passed to give temporary respite to property owners. The index of foreclosures reached its peak in June, 1933, the same month that Congress passed the Home Owners' Loan Act. The downward trend of the index since the peak is ascribed at least in part to the refinancing activities of savings and loan associations and the Home Owners' Loan Corporation established by this act. Up to June, 1936, when its lending operations ceased, the Corporation had made loans totalling



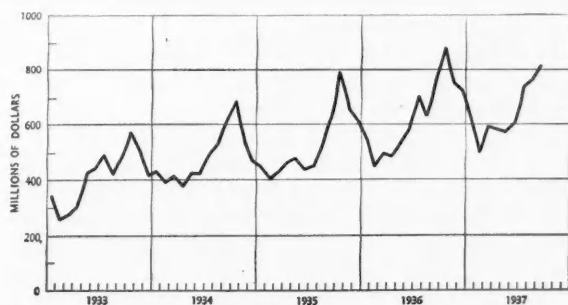
FORECLOSURES IN METROPOLITAN COMMUNITIES—1926-September 1937—1926 = 100—Federal Home Loan Bank Board—From 1926 to 1933, the number of metropolitan foreclosures increased 300 per cent. Since then the index has declined rapidly; the September level is 80 per cent above the 1926 average.

\$3,000,000,000, had protected approximately 1,000,000 home owners from enforced liquidation.

Farm Income

ACCORDING TO THE ESTIMATES of the United States Department of Agriculture, the farmer this year will have the largest gross cash income since 1929, when income from farm marketings went to \$10,479,000,000. The 1937 total, excluding Government payments, is put at \$8,600,000,000, which is about 13 per cent above the income of 1936, and more than double the 1932 figure—the low year since the war. Government payments during the year will add approximately \$400,000,000 to this amount.

The higher level of prices, which was chiefly responsible for the larger receipts during the first part of the year, increases the farmer's expenditures at the same time that it raises his gross income. In the first half of 1937, the farmer enjoyed the advantage: prices on goods that he sold were 20 per cent higher than in the same months of 1936, while



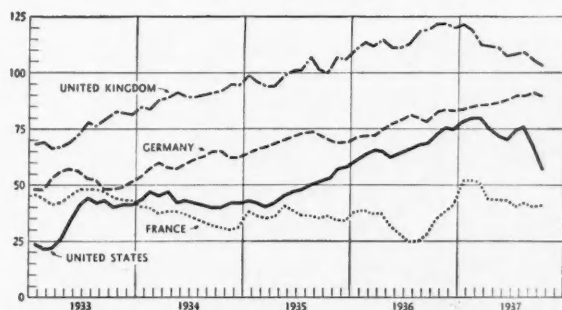
INCOME FROM FARM MARKETINGS—January 1933-September 1937—United States Department of Agriculture, Bureau of Agricultural Economics—For the fifth year gross cash income will be higher than the previous year—estimates for 1937 indicate the largest totals since 1929.

prices on goods that he bought were only 9 per cent higher. The heavy yields reported in recent months have had a steadily depressing effect on crop prices, and by September these had dropped 5 per cent below September, 1936. In the same month prices paid by farmers were 2 per cent higher than the year before.

Industrial Stock Prices

ONLY FRANCE has failed to share the pattern of recovery evident in industrial stock prices in the major countries since 1932. In Germany, the United States, and United Kingdom, market values reached their low point in 1932, and advanced steadily during the next four years, benefiting by the recovery in industrial production, improved earnings and dividends, and low money rates. In France, however, uncertainties of politics and currency problems have caused a weak share market which has declined since 1929, reaching its low only in the middle of 1936. The abrupt turn upward in the French index in late 1936 and early 1937, like the similar movement made by American prices in 1933, followed the suspension of the gold standard.

Stock prices in the United Kingdom were the first to show a downward tendency after more than four years of fairly consistent gains. The peak in the English index occurred in

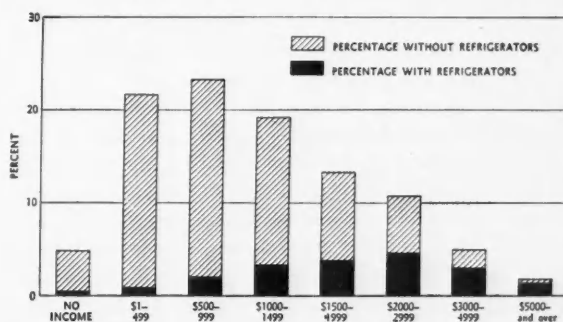


MARKET VALUE OF INDUSTRIAL SHARES—January 1933-September 1937—1929 = 100—League of Nations Monthly Bulletin of Statistics—Recent stock price peaks in the major countries have occurred from two to twelve months apart.

October of last year. French stocks, the next to weaken, reached their highs in January, and after holding relatively firm for two months fell heavily in April. Except for some evidence of strength in the Summer, the United States index has been dropping since March; in September and October alone it lost more points than the United Kingdom index in eleven months of decline. Apparently undisturbed in the midst of the general recession, German stocks have made monthly gains through September of this year; the first sign of weakness appears in the October index.

Income and Ownership

A FUND of marketing information has been made available to the public with the completion of the 50-city survey on "Consumer Use of Selected Goods and Services, by Income Classes." An analysis of the buying habits of 228,692 families in all sections of the country—a fair sample of the total urban population—the series offers a yardstick that



REFRIGERATOR OWNERSHIP IN RELATION TO INCOME CLASS—1934—Department of Commerce, Bureau of Foreign and Domestic Commerce—The length of each bar shows the relative importance of the income class. The black area is the proportion of the class with mechanical refrigerators; the shaded area indicates the unsold market for this product.

can be wielded to advantage by those interested in measuring the consumer market.

The report correlates income and ownership of the following goods and services: dwellings by type and by material, heating apparatus, fuels for heating, cooking, and lighting, bathtubs, automobiles, and refrigerators. To illustrate potential uses of the survey, DUN'S REVIEW has made a compilation of the individual city reports for one item, mechanical refrigerators. Other commodities will be discussed in later issues.

The data reveal the importance of the low-income consumer. Families with incomes from 0 to \$2,000 composed 82 per cent of the total, owned more than half of all mechanical refrigerators. It is in these low-income brackets, the chart shows, that future sales volume lies. Over 52 per cent of the families with incomes above \$2,000 already owned refrigerators, while only 13 per cent with incomes below that amount had them. In all, refrigerators were owned by no more than one-fifth of the families.

HERE AND THERE IN BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS

IT WAS two months ago that the major telegraph companies filed with the Federal Communications Commission new schedules eliminating charges for punctuation. But habits are habits; people do not easily stop writing "stop," even though the word is charged for at the going rate while a simple period goes through for nothing. Although relevant statistical data about the persistence of the stop-comma-colon technique is not now available, Western Union does say this: "... It is evident that a very large proportion of telegraph users are not thus far taking advantage of the opportunity."

Also occupying Western Union's thoughts just now is the Speech Timer, a special-purpose clock being developed in its laboratories. When all the development stumbling-blocks have been removed Speech Timer will be ready to preside at banquets and conventions, periodically sounding a horn when each speaker's allotted time is up.

It Floats—The widely-publicized estimate that 90 per cent of business is honest has stood unchallenged, as much because there are few accurate measures of this quality, probably, as for any other reason.

The appearance of the annual report of the Federal Trade Commission re-

minds us that at any rate there is one such yardstick; it records the honesty of what business says over the air and in print.

During the past year the Commission examined 610,000 advertisements and found only 3,700 to be false or misleading. By this gauge advertising is startlingly close to 99.44 per cent pure; actually the percentage is 99.39.

Weather—If the Taylor Instrument Co. successfully made friends and influenced you last month, you already know that November 6-13 was National Weather Week. The basic idea behind advertising manager Elmer Way's promotion broadside was doubtless this: "Make more people think about the weather and more people will make themselves think about us, the world's largest manufacturers of weather indicating instruments." For this scheme any week would do.

Why Weather Week was when it was, however, was because it was really Department Store Weather Week—an extra eight days added to the Fall merchandising push, with fresh emphasis placed on the rôle the elements were

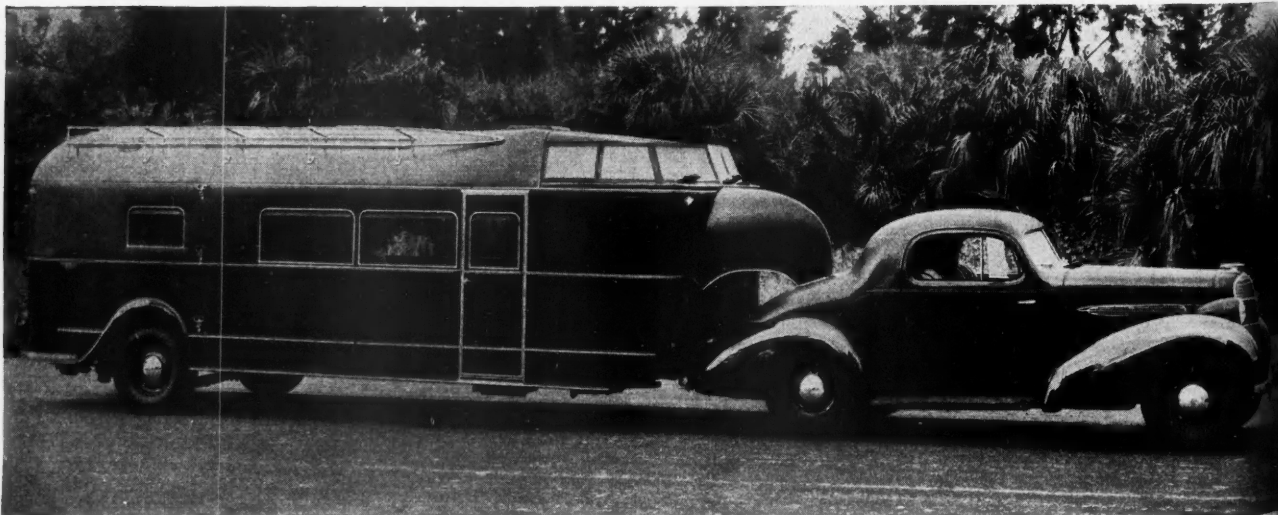
playing in creating new needs. Ads for barometers would tie in very nicely. The nastiest weather imaginable would have made Weather Week a howling success.

As it turned out, the week must have been a little disappointing. Out of twelve key cities, nine enjoyed warmer average temperatures than were usual for them for that period of the year, and in the other three cities actual temperatures were at least equal to those anticipated. Clear days were chalked up with distressing regularity in Chicago, Washington, Los Angeles, St. Louis, New York, and Jacksonville.

Out of a possible 96 city-days (12 cities, 8 days) rain occurred in only nine of them. The only cities which really entered into the spirit of weather week were San Francisco and Seattle, on the balmy Pacific. The former endured five overcast days and one of rain; the latter, scoring a clean sweep, had five cloudy days and three rainy ones.

No Loitering—Two days after the New York office of the Bureau of Foreign and Domestic Commerce had moved into new quarters in the yet-to-be-completed Federal Office Building, paint was still fresh, book shelves carried sets of miscellaneous data yet to be filed, employees were moving

TWO-WHEELER—Fully equipped for comfortable road travel, the Curtiss Aerocar even has the luxury of electric windshield wipers in the observation cockpit.



about uncertain of their bearings.

Amid the confusion a waiting caller strolled up and down, examining the library, and perhaps taking a mental inventory of the information obtainable there. Whatever his meditations they ended suddenly when a crisp voice called out: "Please sit down." Then more quietly but still reprovingly, "It doesn't look well to have people loitering about." The visitor sat down, and he fell to meditating again, this time about the inhibitions which come with doing business upstairs over a post office.

Trailer—Son of the Secretary of Commerce, Richard F. Roper is also president of Pleasantaire Corporation, makers of air-conditioning units. As the latter he is one of the contributors to the comfort of those who ride in the trailers known commercially as Curtiss Aerocars.

One of the most luxurious rooms awheel, the Aerocar has in addition to the built-in Pleasantaire contraption, an electric refrigerator, a radio, electric fans (hmm), shatterproof glass, turn signal lights, and telephone communication with the driver. Bottled gas supplies a stove and heater and provides circulating hot water. Water supply is 30 gallons, delivered under pressure. An 850 watt, 110 volt AC motor-driven

generator produces the power for the air-conditioning unit and electric refrigerator. Another generator runs the lighting system.

Designer is Glenn H. Curtiss, aeronautical engineer, who has been manufacturing trailers since 1917.

Duplicator—New, compact, and moderately inexpensive duplicator is the Multigraph Duplicator, latest product of the Addressograph-Multigraph Corporation. A versatile machine, it makes use of three types of master-copy media.

For general use there is Duplimat, a tough sheet of white paper; for intermittent re-runs of the same copy there is Duplex, a flexible sheet of metal which may be filed away; for photographic copy there is Multex, a plate of grain metal. Copy for the first two media may be prepared with typewriter, ruling-pen, brush, or tracing equipment.

Unadjusted—Strange as it may seem to the automobile industry, the book publishers have again held their annual Book Fair right in the middle of their busiest, pre-Christmas season. Tinkering with seasonal variation through show-date changes is evidently not for them.

Along with the 60 publishers exhibit-

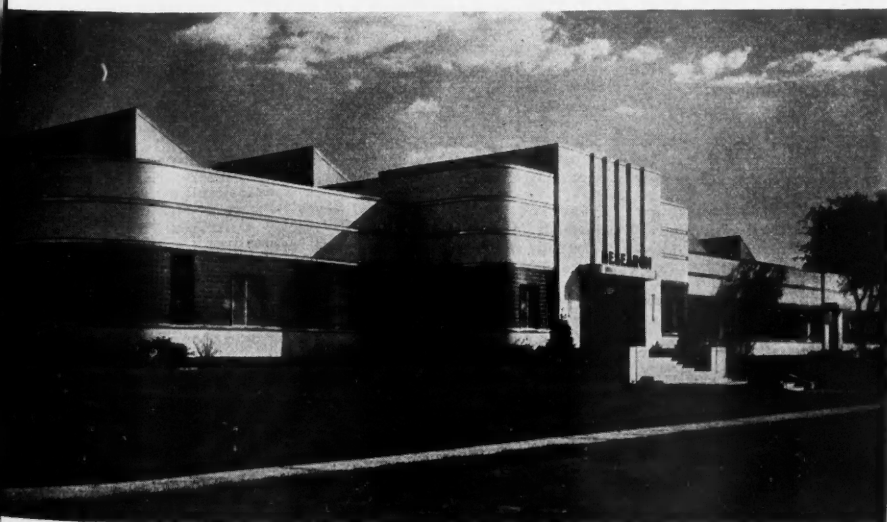
ing at New York's Rockefeller Center, three associations representing related industries also took space, for the book, roll-leaf, and binders board manufacturers. Well attended was the exhibit of the Book Manufacturers' Institute showing the mechanical processes which convert a manuscript into a finished book. Well read was the Institute's poster which attempted to persuade visitors that they should prefer thin books printed on thin paper to bulky ones made of heavy stock. Nowhere to be seen was a poster declaring to the public the publishers' case for resale price-maintenance.

Ballot—Seeking to obtain a cross-sectional picture of its employees' thoughts about their employer, the Armstrong Cork Co. resorted not long ago to a little black book, which was distributed to all its workers in this country, more than 8,000. "Let's take your job apart," it began, "and see whether it is giving you what you want."

From there it proceeded to discuss seven aspects of a job—security of income, a fair wage, safety, hours, disability benefits, and so on, telling what the company policy was in regard to each, and asking each reader to write his opinions of them. What was ostensibly a ballot-booklet served also as a medium for telling such things as what Armstrong does to hold down lay-off time, how much its present hourly wage rates are as compared with those of 1929, and what its product-list has grown to be.

The response, Armstrong reports, was "gratifying." The number of "peeve" letters was negligible. Ninety per cent of the booklets returned showed by the completeness of their answers (five or six extra pages in some cases) an interest more than casual. The wording of the answers also suggested blind spots in the employees' understanding of the several subjects, and indicated the direction which further education by the personnel department should take.

NO RIVETS—Newest structure in the American Rolling Mill Company plant at Middletown, Ohio, is the rivetless laboratory building, heralded as "The House that Research Built." Decorative exterior makes use of porcelain enameled iron, stainless steel, and glass brick. Spacious interior is evenly lighted; bent beams and welding have eliminated trusses and other shadow-producing crossbars.



THE BUSINESS BOOKSHELF

BUSINESS . . . FINANCE . . . ECONOMICS . . . GOVERNMENT

HOW to classify and file business books, clippings, pamphlets, and advertising material so that they may be readily found when wanted has been an increasingly difficult problem for the past twenty years, during which period the volume of business literature has grown from a trickle to a flood.

The Baker Library of the Harvard School of Business Administration, which early began the accumulation, classing, filing, and finding of business literature, has long been confronted with this problem and has tackled it not only from a near-range, selfish viewpoint but from the long-range, unselfish view of developing a suitable classification for the use of business libraries other than its own.

After many years of building and re-vamping by an able staff including Mr. Charles C. Eaton, former librarian; Mr. W. P. Cutter, a library classification authority; Professor Melvin T. Copeland, marketing authority; and Mr. Arthur H. Cole, the present li-

brarian, and being aided by a financial grant from the Rockefeller Foundation, the classification has been released for general use this year under the title: *A Classification of Business Literature* (H. W. Wilson Co., \$5).

This Harvard Classification offers a scope and thoroughness never before provided for in a business classing scheme. It includes not only strictly business subjects, but closely related subjects such as governmental operation, control, and supervision; racial theories and problems; economic resources; land and land economics; and then, by leaving open the "Z" class, this Harvard scheme provides for the classification of all non-business knowledge via the Dewey or LC classification to whatever extent is required by the individual library.

From the viewpoint of flexibility, also, the Harvard Classification offers new possibilities for usefulness. Old classing schemes were built around a method of rigid fixed numbers. The

function, e.g., "marketing," could not be combined with the industry, e.g. "shoes," accurately to describe the contents of a pamphlet. In the Harvard scheme this is easily possible. For example, SBP:641 is translated to mean "marketing shoes," in which "SBP" is "marketing a particular product" and "641" is "shoes."

The major subject grouping is a strongly functional classification of business organization and activity. This has a four-letter (or less) alphabetic symbol.

The industry breakdown is provided by a well-grouped Industries classification, indicated by a colon, followed by a four-figure (or less) numerical industry symbol. Thus the functional symbol "SBP-marketing" may readily be combined with the industry number "641-shoes."

A third breakdown provides for a geographical earmarking of the subject matter to be filed. This is found in the "Local" or geographical code. For ex-

CURRENT READING

| BOOK | AUTHOR | SUMMARY |
|--|--|--|
| FOUR HUNDRED MILLION CUSTOMERS, by Carl Crow. Harpers, 349 pages, \$3. | Born in this country, he has spent most of his years since 1911 in the Orient as editor, publisher, and advertising agent. | This entertaining account of Eastern commercial customs is a digest of letters written by the author in answer to inquiries from Western clients about selling goods to the Chinese. |
| MORE SECURITY FOR OLD AGE, Twentieth Century Fund. 158 pages, \$1.75. | Report by Margaret G. Schneider; program for action by a Fund committee whose chairman is John B. Andrews, director of American Association for Labor Legislation. | A report which finds social security coverage inadequate, minimum benefits insufficient, the reserve fund unnecessarily large, and incentive lacking for the several States to provide adequate payments for today's needy aged persons. |
| BUYING FOR RETAIL STORES, by Morris A. Brisco and John W. Wingate. Prentice-Hall, 531 pages, \$5.50. | The former, Dean of the School of Retailing, N. Y. U., author of <i>Store Management</i> ; the latter, professor of merchandising, N. Y. U., author of <i>Retail Merchandise Control</i> . | A comprehensive treatment of purchasing in all its phases for the large retail store; also included are discussions of such related subjects as selling and management, and specific examples from actual business experience. |
| SPY OVERHEAD, by Clinch Calkins. Harcourt, Brace, 353 pages, \$2.50. | One-time assistant editor, <i>Survey Graphic</i> ; author of <i>Some Folks Won't Work</i> ; staff assistant to Senate Civil Liberties Committee. | The story of industrial espionage as spaded up by the LaFollette Committee out of Department of Justice documents, and the testimony of employers, workers, and labor organizers. |
| MODERN MANAGEMENT, by J. E. Walters. John Wiley & Sons, 337 pages, \$3. | Director of personnel, School of Engineering, Purdue University; general manager of Purdue Memorial Union, member of Society for Promotion of Engineering Education. | Proceeding from an historical review, the author discusses the methods of modern management, defined as "the scientific selection, control, and disposition of money, men, materials, machinery, maintenance, manufacturing, and marketing." |
| SUCCESSFUL SALESMANSHIP, by Paul W. Ivey. Prentice-Hall, 487 pages, \$5. | Sales counselor, professor of merchandising, University of Southern California, author of <i>Creative Selling</i> and others. | Popular manual of selling suggestions for sales managers and salesmen, citing actual cases, discussing sales methods, and reviewing buying motives and psychology. |
| RETAILER'S MANUAL OF TAXES AND REGULATIONS, Institute of Distribution, 147 pages, \$5. | John P. Nichols, editor, and Robert E. Bauer, W. A. McCall, Paul C. Olsen, and Jack B. Peix, associate editors. | Up to date as of September 15, 1937, a compendium of State and local laws and ordinances affecting retailers, including chain store legislation and trade practice regulations. |
| MORE POWER TO ADVERTISING, by James R. Adams. Harpers, 176 pages, \$2.50. | Executive vice-president and general manager, McManus, John & Adams, Inc., advertising agency. | Forty-odd short essays on as many phases of advertising, from copy to account mortality rates, written in a light, entertaining vein and illustrated with many actual incidents. |
| A CLASSIFICATION OF BUSINESS LITERATURE. H. W. Wilson & Co., 348 pages, \$5. | Prepared by the Baker Library of the Harvard University Graduate School of Business Administration. | A library classification system which may be used in full for the cataloguing of a business library or in part in the establishment of an office "data file." Reviewed in this issue. |

ample, "marketing shoes in Germany" would read "SBP:641.36" with the final ".36" being the geographical number for Germany.

With no more equipment than this Harvard Classification, a vertical letter file and some file folders, a business office should be able to begin at once

to classify, file, and find clippings, pamphlets, government documents, competitive and related advertisements, circulars, and the rest of that great mass of business data which heretofore has had no real filing "home."

The material can be analyzed and catalogued and filed in the familiar

card cabinet, giving a cross-index to the contents. In a special library where the folders are arranged not alphabetically, but in the same order as the subjects in the classification, cataloguing would hardly be needed, since the classification index would automatically become the index to the file as well.

BUSINESS FAILURES SINCE 1887

(Continued from page 17)

ation with the high points of the year concentrated near the beginning and end. January is almost invariably the high point and September the low. The upward movement in the seasonal pattern in October suggests that it may be associated with the turning-point in the seasonal pattern of many production industries, but the typical downward movement of insolvencies in the early Spring months has no counterpart in business activity. The seasonal pattern seems to be better explained with the hypothesis that it is the result of postponing liquidation as long as possible through the year and the peak is thus accounted for by the ending of

the usual business year and by the final acknowledging of defeat on the part of those who waited through the dull seasons in the hope of Fall and holiday activity. In agricultural regions the Spring failures are no doubt due to the inability to hold credit positions intact during the long non-cash income period.

This pattern has changed appreciably over the last 50 years. The comparison in the chart (page 17) between the patterns for 1887 and 1936 indicates that the year-end peak has been greatly modified and that the Spring months have become more important.

Business conditions and business fail-

ures are related because they are part of the same process. Business failure is one aspect of the mechanism by which individual firms are adjusted to changed economic scenes. When business activity is high, the production of individual firms is encouraged. Commitments for the future can be made because prices tend upward, and profits serve as the inducement to expansion, bringing new enterprises into the scenes. In these times even the less efficient producers are encouraged by the upward surges in property and inventory values. Thus individual errors and inefficiencies in estimating production and demand are unchecked in the

MODERN HOME COMFORT Demands An Elevator

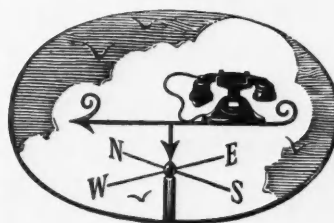


The Sedgwick way is the modern way to travel at home. Your family and your guests will get a thrill when they ride "with a touch of the button" on a Sedgwick Elevator or Stair Traveler. It's a sensible way, too, as any doctor will tell you, for it avoids needless heart strain. A Sedgwick can be installed readily in any residence, and our 44 year experience assures complete satisfaction. Moderate cost. Deferred payments if desired. Write for details.

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Over 42% of the companies are rated at \$125,000 and over; 57% are manufacturers; 27% are wholesalers; 56% of the individuals reached are the chief executives of their corporations. Total circulation is 47,500.

The magazine treats matters of such importance that the reader approaches it with a deliberative attitude that is of distinct value to advertising.

Now DUN'S REVIEW opens its pages to reputable houses for the advertising of those products and services used by industry and commerce.

We shall be glad to send to you, or to your advertising officials, all available information.

Memo to Mr.

Please look into this.

DUN'S REVIEW, 290 BROADWAY, NEW YORK, N. Y.

rushing momentum of business and consequently individual errors large enough to cause serious difficulty for the various enterprises are comparatively few. Many of those who "polish cannon" during such times appear to be able to find a market.

The shoe is on the other foot, however, when business conditions turn downward. Then nothing seems to go right. Purchases of materials are delayed because inventories decrease in value. The market for the product diminishes or disappears and makes the new factory addition useless or unnecessary. In typical fashion the previous increases in plant, the increase in the ratio of fixed to circulating capital, and business hardening of the arteries begin to show. In these times unwise past decisions as to business policy come to light, and the real test of business practices is made.

Fabled Cassandra was given the ability to predict the future on condition that no one would believe her. This was a necessary condition, for otherwise action would have been taken to prevent her predictions from coming true. To play the part of Cassandra and to show the relation between failures and business activity is useful to the business man only if he is willing to take the necessary action to avoid future difficulties. Only by avoiding over-expansion of business activity in good times can increases in failures be avoided in the poor times.

BUSINESS QUIZ

HERE are answers for the quiz on pages 11-13. Remember, you get a bonus of ten points for reaching this page, and each right answer scores three more.

- | | | |
|-------|-------|-------|
| 1. C | 11. C | 21. B |
| 2. A | 12. C | 22. C |
| 3. C | 13. B | 23. B |
| 4. A | 14. D | 24. C |
| 5. A | 15. A | 25. B |
| 6. B | 16. B | 26. A |
| 7. D | 17. B | 27. C |
| 8. B | 18. B | 28. C |
| 9. B | 19. A | 29. C |
| 10. D | 20. C | 30. C |

OVER THE EDITOR'S DESK

CONTRIBUTORS . . . COMING NEXT MONTH

UNTIL two years ago Dr. Reinhold Wolff (pages 8-10) practised law in Germany, where he was a close student of developments in the trade association movement. Here in this country, with his work continuing in not unfamiliar channels, he is editor of *Trade Regulation Review* and a pricing and merchandising counselor.



DR. REINHOLD WOLFF

In a busy two years he has contributed articles to many publications, among them the *Iowa Law Review*, *Advertising and Selling*, and the *Trade Mark Bulletin*.

OTHER authors this month are Roy A. Foulke (pages 18-24), W. R. Pabst, Jr., and Dorothy S. Davis (pages 14-17). Well known to readers of DUN'S REVIEW, Mr. Foulke is Manager of the Analytical Department of DUN & BRADSTREET, INC. Dr. Pabst and Miss Davis are respectively members of the Department of Economics, Amherst College, and the Research and Statistical Division, DUN & BRADSTREET, INC.

DUN'S REVIEW

Willard L. Thorp, *Editor*; Norman C. Firth, *Managing Editor and Business Manager*; Raymond Brennan, Edwin B. George, Walter Mitchell, Jr., A. M. Sullivan, *Associate Editors*; J. A. D'Andrea, *Statistician*; Clarence Switzer, *Art Director*; H. C. Daych, *Advertising Manager*.

SUBSCRIPTION: \$4 a year; \$10 for three years; 35 cents a copy. Outside U. S. \$5 a year.

DUN'S REVIEW goes to each company using the services of DUN & BRADSTREET, INC. Service subscribers may obtain additional subscriptions to the magazine for executives, branches, and so on,

Nor so long ago collectors bought out an entire issue of United States stamps at a price of \$360,000. Within three months they had worked the value up to \$1,200,000 and within three more it had fallen to \$630,000, where it stands now. In next month's DUN'S REVIEW Thomas F. Whitbread, himself a dealer, will discuss stamps as an investment and tell about the expansion of markets during the depression. Stamp collecting may not yet be truly big business, but it is no longer, Mr. Whitbread writes, solely the delight of acquisitive children.

GRATEFUL as a business man may be for fire insurance as he watches his plant burn, he knows that the executive payroll must still be met, contracts fulfilled, and debt interest paid. Fixed charges loom up to delay reconstruction.

Insurance which safeguards future earnings is known variously as "use and occupancy insurance," "business interruption insurance," and "prospective earnings insurance." Next month Milton S. Mays of the Business Development Office of the Insurance Executives' Association will discuss uses and types of this kind of protection.

NEXT month's issue will also report on a project now being completed in DUN & BRADSTREET's Research and Statistical Division, bringing down to date vital statistics for all industrial and commercial enterprises in the United States. Business births and deaths, in total and by type of operation, will be compared for the three most recent six-month periods.

at special rates. . . . Published monthly, December, 1937, Vol. 45, No. 2116. Copyright 1937, DUN & BRADSTREET, INC. Printed in U. S. A.

More detailed breakdowns of those statistical data originally compiled by the publishers—business failures, bank clearings, building permits, wheat and other grain supplies, and price indexes which are summarized and interpreted each month in DUN'S REVIEW (see pages 35-39)—are published monthly in DUN'S STATISTICAL REVIEW, tables only, no text, \$1 a year; \$2 outside the United States.

290 BROADWAY

NEW YORK, N. Y.

To Executives

INTERESTED IN THE SALE
OF MERCHANDISE ITEMS



Every department store executive and buyer, every specialty shop owner, interested in the sale of merchandise items, should read this new book. It describes in considerable detail, the world's largest international merchandise mart. 6,000 exhibitors from 25 countries; 250,000 buyers from 72 countries. Write today for free copy of this valuable new Book No. 69, and plan now to attend the coming Spring Trade Fair in Leipzig—March 6th to 12th.

To Executives

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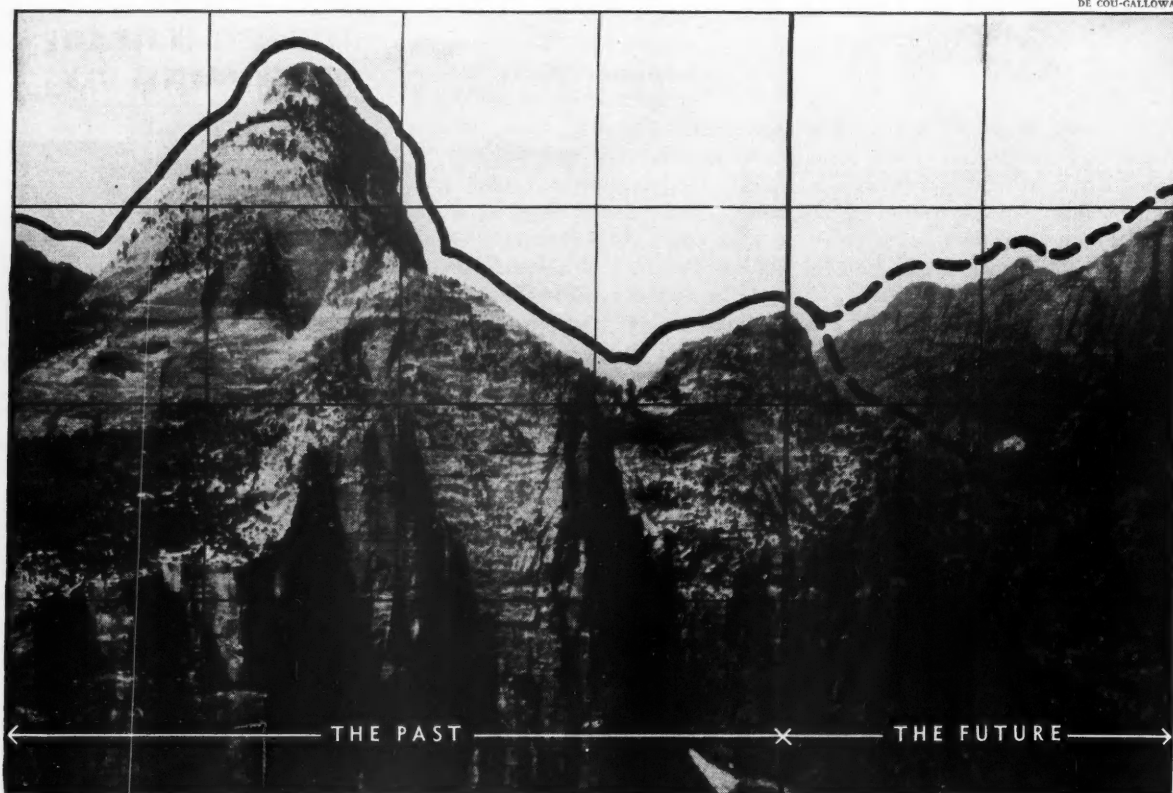


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THE FORECASTER'S NIGHTMARE: "Why didn't I come here last Summer? It's so clear up to now, but which mountain range will it follow from here on?"

THE CRYSTAL-GAZERS are working overtime again. One of the best indexes of business uncertainty is the increase in the number of persons, both amateur and professional prophets, who insist on stating publicly their certainty about the future course of economic events.

Every business man is necessarily a forecaster. Each purchase of raw materials, every extension of credit is based upon a judgment of the future. But the difficulties of judging such specific situations are greatly magnified when one tries to extend his conclusions to the whole economic structure. Not only are there innumerable factors involved, but the future depends largely upon decisions of public and private policy as yet unmade.

The menace of erroneous forecasting is that it may affect these decisions. If enough people accept a forecast as true, their actions will make it so. One reason why the stock market has been a fairly good forecaster in the past, is because so many people believed it was, and acted accordingly. If any prophet had a large enough following, he could forecast us into depression or prosperity at will.

Four things are essential in trying to peer into the unknown: first, a thorough knowledge of business behavior in the past; second, a broad and true picture of the present; third, an uneasy recollection of one's past errors; and fourth, a vigorous skepticism and doubt about all judgments as to the future.

Willard L. Thorp

E D I T O R

ANNUAL INDEX to DUN'S REVIEW

VOLUME 45 NUMBERS 2106-2116 FEBRUARY-DECEMBER, 1937

LISTINGS of article titles, authors, company names, and subjects appear here in one alphabetical order with each entry followed by the issue date and the page number. Only broad headings have been used as subject listings; this is not a detailed subject heading index.

Statistical series originally compiled by the publisher are indexed under subject headings; they can also be easily located in the departments on Failures, 77-B Cases, and in "Significant Business Indicators" each month. Statistical data appearing in the department, "Through the Statistician's Eyes," are indexed. Other statistical series and data, whether reviewed occasionally or regularly in The Trend of Business or elsewhere, are not

indexed separately here. The list of 30 trades for which expense and other ratios were reported from the DUN & BRADSTREET Retail Survey is not repeated in the index nor is the list of 60 lines of business for which financial ratios were reported (see Ratios). Books reviewed are not listed here (see Business Bookshelf).

As a guide to the inclusiveness of the material listed, short items are indicated by "s," the editor's monthly page of comment by "c," frontispiece photographs by "f," and other photographs that appear without extended text by "p."

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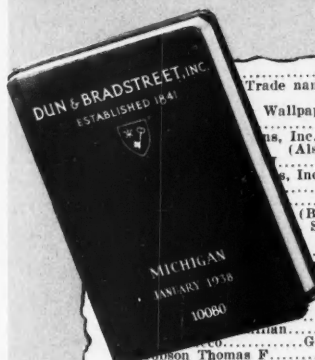
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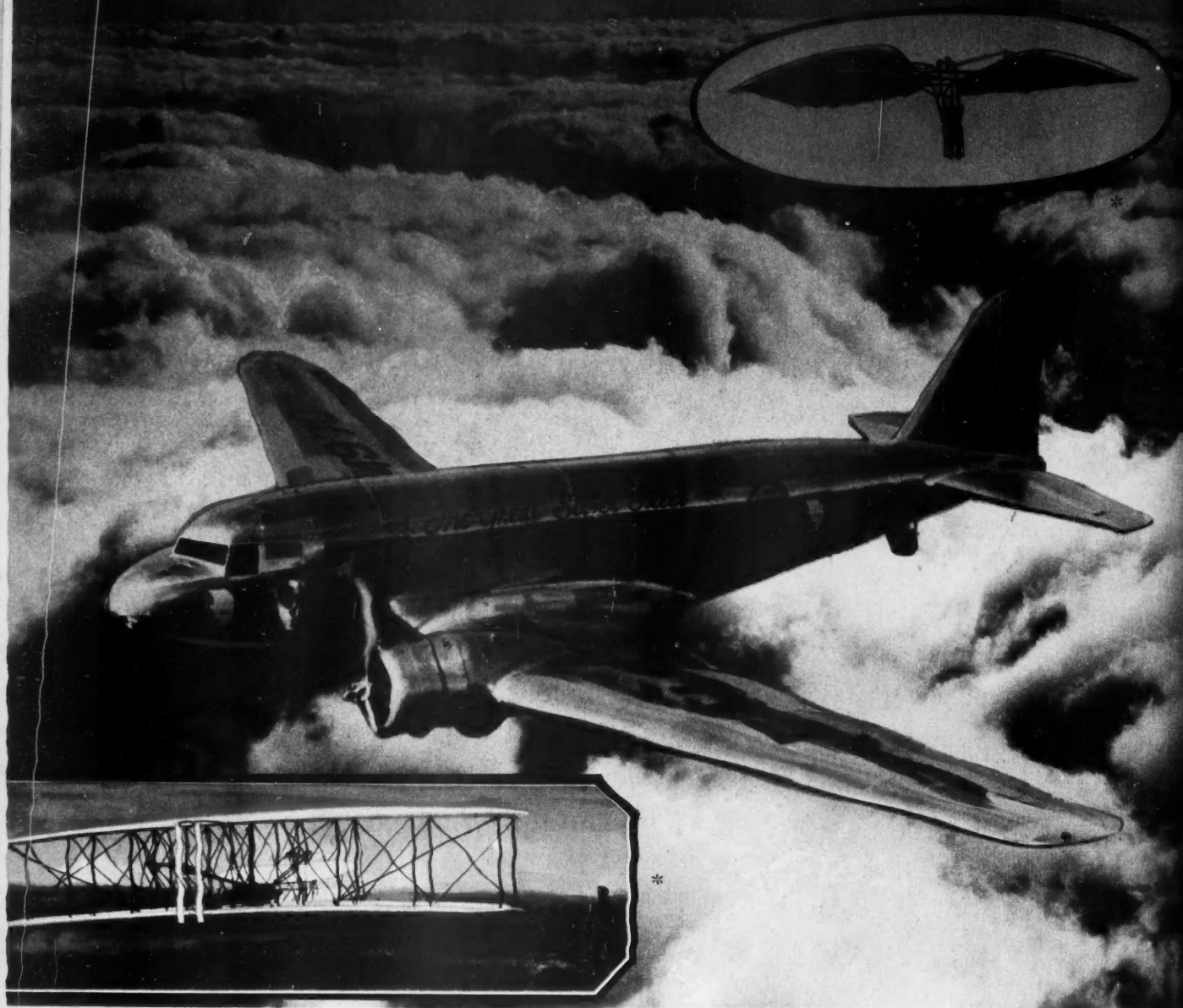
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* Upper—Artist's reconstruction of Leonardo da Vinci's ornithopter, based on his manuscript drawings. Lower—The first man-flight. The Wright Brothers of Dayton, Ohio, send their plane into the air, on the Sand Dunes of Kitty Hawk, N. C., in 1903. Center—Modern air transport, seating 14 passengers, operated by Eastern Air Lines.

